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U.S. Newspaper Portrayals of Foreign Direct  
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U.S. NEWSPAPER PORTRAYALS OF FOREIGN DIRECT  
INVESTMENT IN THE UNITED STATES: A COMPARATIVE STUDY  
OF GERMAN, JAPANESE, BRITISH, AND HONG KONG COVERAGE

By

Naoko Harada

A THESIS

Submitted to  
Michigan State University  
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## ABSTRACT

# U.S. NEWSPAPER PORTRAYALS OF FOREIGN DIRECT INVESTMENT IN THE UNITED STATES: A COMPARATIVE STUDY OF GERMAN, JAPANESE, BRITISH AND HONG KONG COVERAGE

By

Naoko Harada

The purpose of this thesis is to examine how economic power and cultural distance influence portrayals by U.S. journalists of four cases of foreign direct investment in the United States. For testing these two factors, U.S. newspaper articles about British, German, Japanese, and Hong Kong investments were analyzed.

The study entails a 2x2 research design involving two degrees of cultural distance and two degrees of economic power. Four selected cases represent the following four conditions: Britain -- low economic power and low cultural distance; Germany -- high economic power and low cultural distance; Japan -- high economic power and high cultural distance; and Hong Kong -- low economic power and high cultural distance.

Findings from this study suggests that economic power and cultural distance may be important factors in terms of drawing attention of the U.S. newspapers studied to the cases. They may also negatively influence portrayals of the foreign investors' countries of origin although their influence was not statistically significant. The possibility of a combined effect of these two factors is discussed.

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pushed me to work hard, and made it enjoyable living in a foreign country.

Finally, I would like to thank my parents who, through their sacrifices and love, gave me the opportunity to attend the graduate school in the U.S. Also, I must thank my friends in Japan, who have always rooted for me in spite of the long distance.

## PREFACE

The foundation of my thesis dates back to the last summer when I was working on my independent study with Dr. James Dearing. This independent study dealt with two cases of direct investment by Japanese companies, Sony's purchase of Columbia and Matsushita's purchase of MCA. When the giant entertainment company in Hollywood was first acquired by Sony in 1989, I was still in Japan and was hoping to study in a graduate school in the United States someday. The news about the deal spread around Japan quickly. In reflecting upon it, the deal caused many different responses, both positive and negative. However, mostly negative images about the deal remained in my mind. From the way the Japanese mass media reported it, I received an impression that they were proud of the deal because it demonstrated Sony's (and hence, Japan's) economic power in buying a huge American company. At the same time, however, I got another impression that they were blaming Sony's aggressiveness which might cause more economic conflict between the two countries. Some of Japan's mass media pointed out that Sony was insensitive because they bought an

important cultural asset of the U.S., and did not carefully handle the possible reactions which could lead to so called "Japan-bashing."

How these acquisitions were portrayed differently by the U.S. mass media and by the Japanese mass media became one of my interests in communication studies. However, due to the difficulties in collecting data for portrayals by the Japanese media in the U.S. and the time limitation, I studied portrayals of these cases only by the U.S. mass media (newspapers) for my independent study. As a result, it was found that there were many more articles which were critical about these two deals than ones which were supportive. (Since the independent study took a qualitative approach in analyzing the data, the results were not statistically proven.) When going through all the articles about these cases, I found some articles implying that other cases of acquisitions in Hollywood were received differently by Americans from these two cases. For example:

Funny, those questions [whether or not the foreign owner will interfere with the content of books, records and movies] did not immediately come up when Australians bought 20th Century Fox or when Italians purchased MGM/UA (*The Los Angeles Times*, Nov. 28, 1990).

For their part, many Japanese detect a tinge of racism in charges that they are hijacking American culture.

No one complained, they point out, when an Italian businessman took over MGM-Pathe a few months ago, or when Rupert Murdoch's Australian-based News Corporation bought 20th Century Fox (*The New York Times*, Dec. 2, 1990).

This study gave me a hint to come up with cultural distance between involved countries as an important factor in considering foreign direct investment, and thus, the mass media portrayals of it.

In a charged news conference, the 68-year-old Mr. Morita said that it was unfortunate that the Americans still viewed the Japanese as "strangers" (*The Wall Street Journal*, Oct. 4, 1989).

If this is the case, lack of cultural information necessary in understanding subtle cues may have made each other strangers even though they have enough economic, politic, or other information about each other.

Another great factor in influencing portrayals of these cases may have been Japan's rapid economic growth in these decades.

The Atlantic Monthly's May issue featured James Fallow's report called "Containing Japan", which said that "Japan's runaway economy will harm the rest of the world if some limits aren't set" (*The Washington Post*, Oct. 1, 1989).

Because Columbia and MCA are culturally important to U.S. citizens, a lot of articles emphasized cultural factors. However, economic power could also be considered to be a distinguished factor in causing these articles to be written.

Through this study, I began to question: whether or not these two factors are general factors in influencing newspaper portrayals of foreign direct investment. If so, then these factors should be able to be applied to cases of foreign direct investment from different countries in the United States. This became a basis of the research design of my thesis. By identifying real factors in influencing newspaper portrayals (which may influence public opinion about foreign direct investment or foreign countries), it is hoped that the research contributes to encouraging peaceful international business activities and to preventing unnecessary stereotypes of foreign countries from emerging. I hope this research can be the first step in this area of study.



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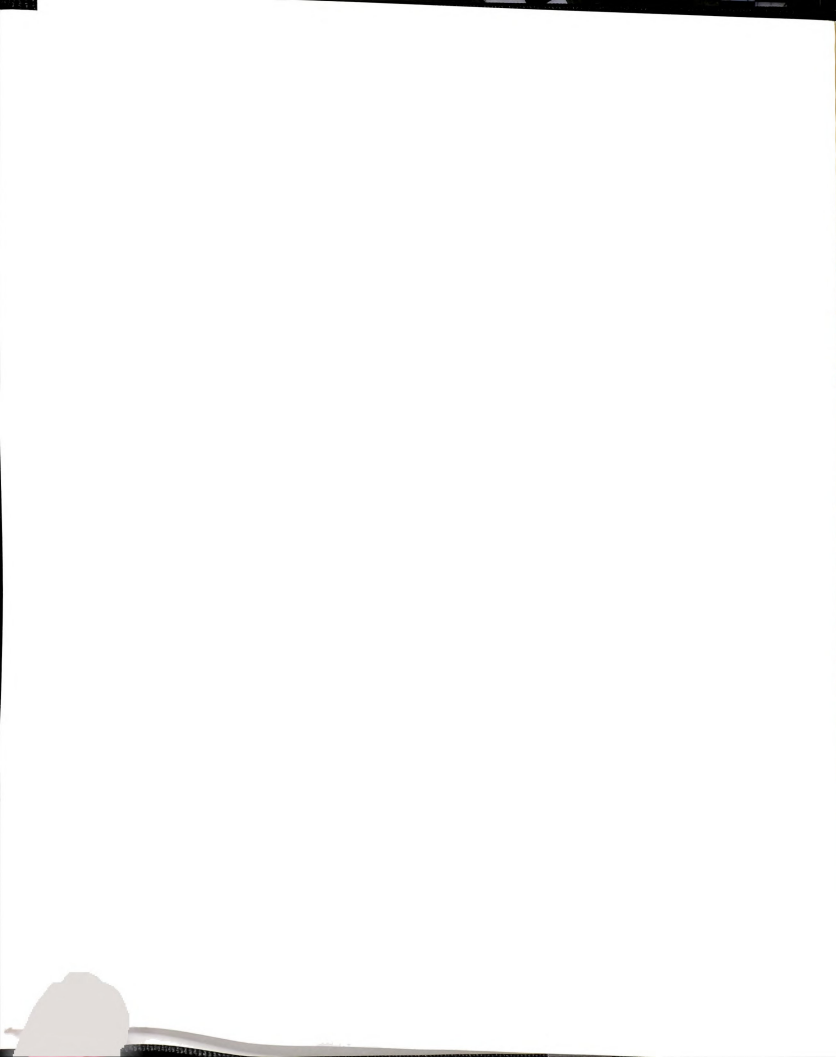
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## INTRODUCTION

This study attempts to identify how U.S. newspapers portray major cases of foreign direct investment in the United States by analyzing the content of newspaper articles. Through examining the reactions of the mass media, it attempts to determine the extent to which two factors, economic power and cultural distance, influence <sup>Whorfian</sup> journalistic portrayals of certain cases of foreign direct investment. Journalistic portrayals are important because such portrayals may influence how readers think about foreign countries, their companies, and their people.

Economic power, according to Kelso, is "the power to produce goods and services; it is the power to earn income through engaging in the production of goods or services for purchase by consumers in the marketplace" (Kelso, 1986, p. 166-167). Economic power is intertwined with political power. These two kinds of power are major constituents of social power, which is essential in international relations. Social power in international relations could be defined as a country's power to change other countries' diplomatic policy or attitudes in international society. If the

economic power of country A is strong enough to be a threat to people in country B, it is quite possible that this economic power will affect the perceptions of the people in country B toward country A which has strong economic power, especially on issues such as foreign direct investment.

The second factor, cultural distance between nations, is the degree to which two countries are different or are perceived to be different, in their value systems, their social norms and rules, or other components of culture. If two nations are culturally dissimilar, it would be more difficult for citizens in either country to imagine the other country's situation and to predict its future behavior. This uncertainty could lead to feelings of insecurity or lack of trust, which might bias perceptions of the other country and its citizens.

In order to test the factors of cultural distance and economic power, four countries have been chosen as investors' countries of origin: Britain, Germany, Japan and Hong Kong. Britain and Germany are generally perceived to be culturally similar to the United States, while Japan and Hong Kong are considered culturally distinct from the U.S. (This is illustrated in detail in Chapter 2). Currently, Germany and Japan are economically strong relative to the U.S., while the U.K. and Hong Kong are perceived as having less economic strength. By analyzing newspaper articles about current direct investment cases from these countries,



this study will present the possibility of synergic effects of the two factors in influencing American journalistic portrayals of the cases of foreign direct investment.

This research entails content analysis of newspaper articles about the selected cases of foreign direct investment. The portrayal in the mass media of issues is not a perfect indicator of the U.S. public's perceptions, yet it is related. In U.S. society, the mass media do influence audience perceptions, and, at the same time, reflect the audience perceptions. Thus, it is imperative to discuss the significance of the U.S. mass media in influencing perceptions at the beginning of the present study.

In Chapter 2, essential concepts in this study, such as foreign direct investment, economic power, and cultural distance, will be discussed in detail. The current situation of foreign direct investment in the U.S. and its relevance to the concepts of economic power and cultural distance will also be discussed. In Chapter 3, research methods of this study will be detailed. In Chapter 4, the results of the study will be presented, and the effect of the two factors of study, economic power and cultural distance, will be examined. Finally, suggestions for future research will then be made.

## CHAPTER 1.

# THE ROLE OF THE U.S. MASS MEDIA IN INFLUENCING AMERICAN AUDIENCE PERCEPTIONS

### The Role of the U.S. Mass Media in Modern Society

Since the first American newspaper, *Publick Occurrences Both Forreign and Domestick*, was established in 1690, many kinds of mass media have developed in the United States. Development of media became more rapid with technological innovation. Nowadays, mass communication media are everywhere. Television, newspapers, magazines, video screens, audio and video recorders, compact discs, photographs, newsletters, and computer networks all play a significant role in industrially-advanced countries. As these media become more diversified and accessible, they can reach larger and more diverse audiences. The role of the mass media has become increasingly complex and varied.

According to Pember (1974), mass communication in the U.S., in a broad sense, offers four basic services--an information processing service, an economic service, an entertainment service and a public opinion service. As information processing services, the mass media transmit news, instruction, data, and messages to mass audiences. While the mass media perform the fundamental function of

processing information, they often activate the economy of the society by providing important business information. Moreover, the role of advertising through mass media is vital in a capitalist system like that of the U.S.

Entertainment is also an important function of both the electronic media and the print media. Almost all kinds of American mass media contain an element of entertainment to attract people's attention. Pember (1974) relates mass media to mass culture: "The mass media play a distinct and important role in American culture because, in large part, the mass culture of America today is a creature of the mass media" (p. 39).

All these factors--how the mass media deal with information, how they select and present entertainment, how advertising and economics relate to each other and to these processes--are probably linked to developing some types of public opinion or a sense of community. Although there have been a number of controversies about whether or not the mass media actually shape public opinion, much research has shown that the mass media provide the agenda of issues that people discuss by choosing topics about which to inform their audiences. However, having a common agenda may be necessary for reaching a consensus on issues as a nation. In this sense, the public opinion service of the mass media has always been closely related to politics; but, at the same time, it has a tremendous impact on economic, social, and

cultural issues.

### **Mass Media and Public Opinion**

In order to determine whether or not the mass media actually play a role in shaping public opinion, the term "public opinion" must be better understood. Lemert (1981), who has researched the relationship between mass communication and public opinion, has defined public opinion as "a perception imposed by the perceiver on information about citizen attitudes toward a publicly debated issue, personality, candidate, practice, or outcome" (p. 12). If public opinion is a perception of receivers of information, it is a subjective phenomenon based on information provided about a certain issue. It is often the mass media which decide what information is to be transmitted in society. This means that the U.S. mass media can, and probably do, have some influence in shaping Americans' perceptions by deciding the priority of agendas of information and then stating and transmitting the information in a specific way.

Page, Shapiro, and Dempsey (1987), in the field of political science, examined the potential for the mass media to influence or change people's perceptions, which could eventually become public opinion. They argue that there is some information that may alter some individuals' beliefs

and eventually affect their judgments. Their research also reveals what moves public opinion within the realm of short and medium-term effects: "TV news variables, together with opinion at the time of an initial survey, account for well over 90 per cent of the variance in public opinion at the time of a second survey. The news variables alone account for nearly half the variance in opinion change" (Page, Shapiro, and Dempsey, 1987, p. 38).

An important factor in the mass media effects in shaping public opinion is the concept of stereotypes, which was imported into media study from psychology. According to Walter Lippmann in *Public Opinion* (1936), stereotypes are the "pictures in our heads." The psychological approach to the study of stereotypes deals with "the origins of attitudes" more broadly, especially those that are particularly difficult to change. Thus, stereotypes are closely associated with the notion of prejudice: "Prejudice implies an attitude that pre-judges reality and that is based not on experience but on some firmly fixed belief or dogma. The stereotypes [become] the content of this belief, as they [are] projected on to particular persons or groups" (Barrat, 1986, p. 43). Barrat (1986) also argues that the mass media reinforce stereotypes. For example, "the 'housewife'... is a role women are invited to copy and men to reinforce. Both stereotypes and labels reflect power relations in the wider society and both exist as powerful

forces in the real world as well as being reinforced through the media" (p. 43).

The stereotypes that are reinforced through the mass media could be a key factor in shaping public opinion. The process of forming public opinion is "enhanced by stereotypes; stereotypes spread quickly in conversation and immediately convey negative or, in some cases, positive associations. They guide perceptions: They draw the attention to certain, usually negative, elements and lead to selective perception" (Noelle-Neumann, 1984, p. 144).

Although Lippmann emphasizes the stereotype as a vehicle for spreading public opinion, Noelle-Neumann also argues for the importance of "firsthand observation of reality" as well as "observation of reality through the eyes of mass media" as sources for obtaining information about the distribution of opinions in society (Noelle-Neumann, 1984). However, it seems reasonable to suppose that stereotypes are closely associated with the formation of public opinion.

### **Differences Among the Mass Media in Influencing Perceptions**

From their very roots, mass media have always had a role in shaping what the community thinks about itself and many other things. The development of printed media centuries ago was tied to the efforts of writers

and printers who felt strongly about various issues, usually religious issues, and hoped to shape the thoughts of others on these matters. So the tasks of aiding the development of public opinion on important questions and creating a sense of community for people who share similar geographic boundaries has been a service we have traditionally sought from mass communication (Pember, 1973).

From its inception, the press was fostered primarily by political motivation, and the press was actually very influential before the advent of television. However, the relative importance of the various media for people in the U.S. is changing.

According to Roper's report, in 1959, 57% of people got most of their news about what was happening in the world from newspapers, 51% from television, 34% from radio, and 8% from magazines. In contrast, in 1982, 65% of people named television, 44% named newspapers, 18% named radio, and 6% named magazines as their main source of news (The Roper Organization Inc., 1983). The position of newspapers as the leading information source has been replaced by television. However, it would be premature to conclude that newspapers are not as influential as television. Each media has a distinct function in our society.

In considering the nature of print and broadcast news, it is essential to distinguish between events and developments. Most wire service stories, (...) all radio newscasts, and much of TV newscasting deal with events. That is, they report on specific occurrences that have just taken place and that the audience is expected to be able to position in relation to their acquaintance with what has happened earlier (Bogart, 1989, p. 225).

Developments refer to "the researched, considered, digested, and edited analysis of news developments" that are usually found in printed media and provide more complete and complex information:

The symbols of written language permit abstraction, synthesis, and rapid marshaling of much disparate information for the record with an efficiency that has no counterpart for broadcast messages that flow in time (Bogart, 1989, p.225).

While television's strengths are immediateness, a sense of reality derived from visual images, and a high degree of entertainment, a well-prepared newspaper article can include enormous amounts of information in a limited space and probably can deepen understanding.



There are some statistics that may answer the question of how television and newspapers function differently as news media. Although the majority of U.S. citizens relies on television for daily information, research cited by Bogart (1989) has shown that, for news that interests them most, 50% of the public are more likely to read newspapers and 46% to watch television. For very complicated news, 36% read newspapers and 19% watch television. In terms of the preferred media varied with topics, television was most often chosen to provide information on foreign and national politics, disasters, space, and science. Newspapers were chosen for news of local events by the majority and for fashion and lifestyles by a small group. However, when it comes to the most important national problems, 49% of newspaper readers named newspapers as the most reliable information source, and 28% named television.

Another study has shown that "those who rely on newspapers were better educated, more involved in politics, more likely to vote, and less likely to hold highly intolerant views or to be highly religious or politically alienated" (Bogart, 1989, p. 246). Investigations of the relationship between income and educational level and television viewing and newspaper readership found that as their income and educational levels go up, people read newspapers more and spend less time viewing television. Moreover, the National Opinion Research Center reported that

people who are active in civic affairs and organizations read newspapers more than the average citizen does (Bogart, 1989). Social position tends to reflect the degree of participation in voluntary organizations and the range of interests and activities.

Considering the results of these surveys, it can be concluded that those who read newspapers regularly and value them as information sources have more potential for becoming opinion leaders on complicated economic and political issues because of their economic and social achievements and greater participation in civic affairs. These opinion leaders could be powerful in influencing the entire public's perceptions under a capitalistic social structure like that in the U.S. Television is the most common media nowadays, and it is very influential as a news source because of its immediate penetration and distribution of information. However, the profound impact of newspapers, as a written communication tool, together with its indirect impact throughout our social structure should not be overlooked.

### **Theories That May Explain the Mass Media Influence on Public Perceptions**

There are three main types of theories regarding media effects. The first suggests that the mass media have

powerful effects. This belief was popular from the turn of the century until the late 1930s. The second type of theories emphasizes the importance of "group or interpersonal effects and selectivity," which is called the limited-effects model (Littlejohn, 1989, p. 273). However, the arrival of television in the 1950s and 1960s dissuaded researchers from accepting this "minimal effects" conclusion. The slogan of Noelle-Neumann (1973) was "return to the concept of powerful mass media." This represents the third phase of theories and research. The renewal of media effects research is marked by a shift of attention toward "long-term change; cognition rather than attitude and affect; the part played by intervening variables of context, disposition and motivation; collective phenomena such as climates of opinion, structures of belief, ideologies, cultural patterns and institutional forms of media provision" (McQuail, 1987, p. 254). This study will use current research on intermediate mass media effects and review agenda-setting theory as a theory most relevant to the phenomena of influencing perceptions.

### ✓ Agenda-Setting

The term "agenda-setting" was used by McCombs and Shaw (1972) to describe the distinct role that the media play in determining the salience of issues to media audiences:

The impact of the mass media--the ability to effect cognitive change among individuals, to structure their thinking--has been labeled the agenda-setting function of mass communication. Here may lie the most important effect of mass communication, its ability to mentally order and organize our world for us. In short, the mass media may not be successful in telling us what to think, but they are stunningly successful in telling us what to think about" (McCombs and Shaw, 1977, p. 5).

Critics of this theory point out that such studies have not distinguished correlation from causation. The media agenda could simply be a reflection of what the public thinks about. This is a "chicken/egg question": which comes first? Davis and Robinson (1986) also criticize past agenda-setting research for ignoring possible effects on what people think about: who or what is important and why things are important.

However, a more recent study of agenda-setting clarifies the concepts of media agenda, public agenda, policy agenda, and the relationships among them. Rogers and Dearing (1988) reach this conclusion:

the public agenda, once set by, or reflected by, the media agenda, influences the policy agenda of elite decision makers, and in some cases, policy

implementation; the media agenda seems to have direct, sometimes strong, influence upon the policy agenda of elite decision makers, and in some cases, policy implementation; and for some issues the policy agenda seems to have a direct, sometimes strong, influence upon the media agenda (p. 579-580).

Hundreds of research studies have been conducted which, in one way or another, support the theory that the mass media has a role in influencing perceptions. In general, it seems reasonable to conclude that the U.S. mass media do have a distinct impact on Americans' perceptions by providing agendas of issues to think about in shaping public opinion and by reflecting public opinion.

## **CHAPTER 2.**

### **CONCEPTUAL OVERVIEW**

#### **The Concept of Foreign Direct Investment: Historical Review and Current Situation**

##### **The Definition of Foreign Direct Investment**

Foreign direct investment is the "ownership of assets by foreign residents for the purpose of controlling the use of those assets" (Graham and Krugman, 1989, p. 7). More specifically, the U.S. government defines foreign direct investment in the U.S. as "the ownership by a foreign person or business of ten percent or more of the voting equity of a firm located in the United States" (U.S. Department of Commerce, 1991, p. 3). Two forms of foreign direct investment are feasible: acquisition of an existing business through "buyout" of all or part of a company's stock, and establishing a new facility, or "greenfield" investment. For both forms of investment, it is important, though difficult, to define the nationality of a firm, and what constitutes control of the investment.

##### **The History of Foreign Direct Investment**

The term "foreign direct investment" began to be used relatively recently. There had been practices, however, which probably became the foundation for the modern concept of foreign direct investment. In a broad sense, British capital export to India in the 19th century and even the process of colonization could be considered to be foreign direct investment, even though investments in that period often involved military forces which contradicts the definition of foreign direct investment. The foreign direct investment to which the current definition refers, however, grew during four periods in the last century, from about 1870 to 1914, 1919 to 1939, 1945 to the mid-1960s, and the mid-1960s to the late 1970s.

In the first phase of recent investments (1870-1914), as can be seen in Table 1 (p. 18), the United Kingdom was by far "the largest foreign capital stake holder" in 1914, and the U.S. was the second largest. The U.S. was the largest single recipient of those investments in 1914. Around that time, the U.K. was economically strong enough to buy enormous foreign assets, while the U.S. was heading in the direction of economic growth "by developing a comparative investment advantage in the newer technology-intensive industries" (Dunning, 1983, p. 6). Dunning (1983) describes the U.K. at that time as

the most cosmopolitan foreign investor; *inter alia*,

this reflected the diversity of her overseas possessions, her earlier technological lead and her established trading links. (p. 6)

Table 1: Estimated Stock of Accumulated Foreign Direct Investment by Country of Origin, 1914-1978

	1914		1938		1960		1971		1978	
	\$m	%	\$m	%	\$b	%	\$b	%	\$b	%
<i>Developed countries</i>	14302	100.0	26350	100.0	66.0	99.0	168.1	97.7	162.7	96.8
<i>North America</i>										
USA	2562	18.5	7300	27.7	32.8	49.2	82.8	48.1	162.7	41.4
Canada	150	1.0	700	2.7	2.5	3.8	6.5	3.8	13.6	3.5
<i>Europe</i>										
UK	6500	45.5	10500	39.8	10.8	16.2	23.7	13.8	50.7	12.9
Germany	1500	10.5	350	1.3	0.8	1.2	7.3	4.2	28.6	7.3
France	1750	12.2	2500	9.5	4.1	6.1	7.3	4.2	14.9	3.8
Belgium					1.3	1.9	2.4	1.4	5.4	1.4
Italy					1.1	1.6	3.0	1.7	5.4	1.4
Netherlands					7.0	10.5	13.8	8.0	28.4	7.2
Sweden	1250	8.7	3500	13.3	0.4	0.6	2.4	1.4	6.0	1.5
Switzerland					2.0	3.0	9.5	5.5	27.8	7.1
<i>Other developed countries</i>										
Russia	300	2.1	450	1.7	—	—	—	—	—	—
Japan	20	0.1	750	2.8	0.5	0.7	4.4	2.6	26.8	6.8
Australia										
New Zealand	180	1.3	300	1.1	1.5	2.2	2.5	1.4	4.8	1.2
South Africa										
Other	neg	neg	neg	neg	1.2	1.8	2.5	1.4	5.2	1.3
<i>Developing countries</i>	neg	neg	neg	neg	0.7	1.0	4.0	2.3	12.5	3.2
<b>Total</b>	14302	100.0	26350	100.0	66.7	100.0	172.1	100.0	392.8	100.0

(Source: Dunning, 1983, p. 5.)



The second phase of direct investments (1918-1938) is characterized by World War I and the postwar years, which included several changes in the level, form, and structure of international production. Because of the turmoil of the war, intra-Continental European corporate activity was reduced. The U.S. did not suffer damages from these political events, but the collapse of international capital markets affected the U.S. economy in the late 1920s and early 1930s (Dunning, 1983). Nevertheless, the U.S. expanded its share in the international capital market from 18.5 percent in 1914 to 27.7 percent in 1938 because it activated branch plant businesses through multinational enterprises. Although growth rate of the U.K.'s international investment declined, the overall international capital stake rose considerably in the inter-war years.

After the end of World War II, the world economy was rapidly restored and grew almost without interruption, although international business had declined in the inter-war years. During the third phase of direct investment (1939-1960), the expansion of U.S. investments was remarkable. The U.S. made almost half of the foreign direct investment in the world and replaced the U.K. as the world leader in this field. The U.K., which held a 39.8 percent share of foreign direct investment in 1938, owned only 16.2 percent in 1960, in contrast to the U.S. share of 49.2 percent. Dunning (1983) reports that "as a percentage of

both world output and trade, the international direct investment stake rose modestly between 1938 and 1960" (p. 11). He points out that in this period there was a trend toward multinational enterprises favoring developed countries for new venture activity, whereas they had mainly invested in developing countries in 1914 (Dunning, 1983).

The fourth phase of direct investment started in the 1960s when the international capital stake grew most rapidly. The very peak of the growth rate came in the late 1960s; and, the growth rate then decelerated, but went up again in the latter 1970s. A characteristic of this period is the continuous fall of the U.K. share, and the beginning of the decline of the U.S. share, while Germany, Switzerland, and Japan began to make gains. Many corporations from the U.K. and the U.S. divested their investments in developing countries, but Japanese investments were concentrated in these countries. In 1978, Japanese investments in developing countries accounted for 56.5 percent, the U.S. for 27.4 percent, and the U.K. for 19.8 percent. Two more features of this period are active investments in newly industrialized countries (NICs), such as Taiwan, Singapore, Hong Kong and Korea, and utilizing regional ties (e.g., European Economic Community and Latin American Free Trade Association), in international investment.

In recent years, foreign direct investment activities

in the world have been growing rapidly again after the decline in the early 1980s.

Pressures for protectionism in trade have recently emerged because of slow economic growth and high unemployment. Furthermore, the rapid growth of direct foreign investment and the expanding role of multinational enterprises became increasingly controversial, particularly in the less developed countries" (Poniachek, 1986, p. 1).

Nevertheless, worldwide outflows of foreign direct investment almost tripled between 1984 and 1987 and increased by another 20 percent both in 1988 and in 1989. Its growth rate is three times faster than that of exports and four times that of the growth of the world output since 1983 (United Nations Centre of Transnational Corporations, 1991). It seems that the importance of foreign direct investment is dramatically increasing and may have a different meaning than it had in the past.

### **The Current Trend of Foreign Direct Investment and Its Importance**

As a means of international economic integration,

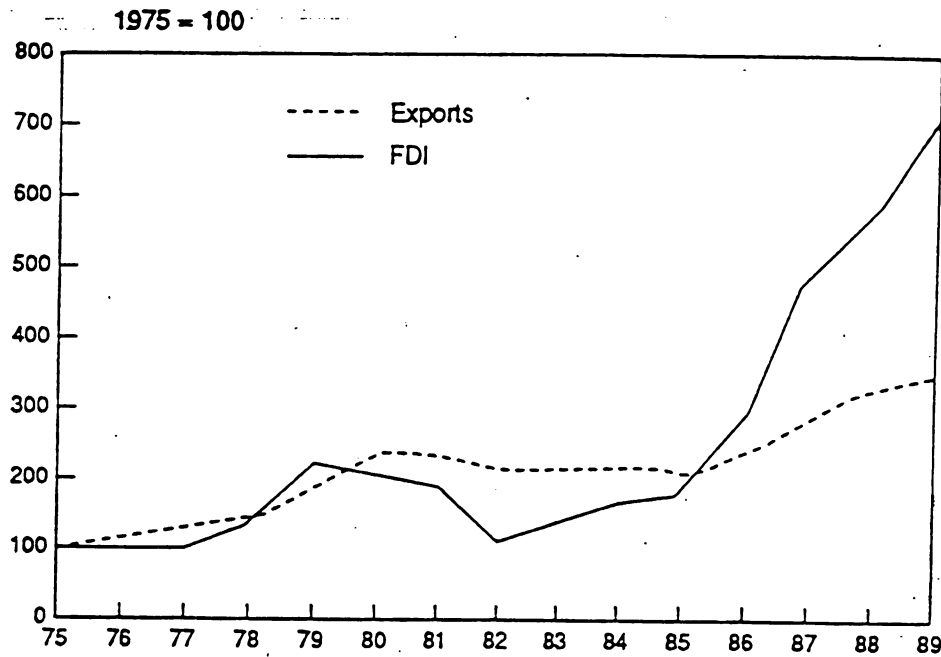
foreign direct investment is in its take-off phase; perhaps in a position comparable to world trade at the end of the 1940s (Julius, 1990, p. 36).

As Julius (1990) points out, the recent increase of foreign direct investment has some resemblance to the rapid growth of world trade after World War II. In fact, foreign direct investment has been sharply growing since 1985 relative to world exports<sup>1</sup> (United Nations Centre on Transnational Corporations, 1991). (See Figure 1, p. 23).

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<sup>1</sup>. World exports are still much greater than the flow of foreign direct investment (exports were seventeen times as high as in 1988) although the growth rate of foreign direct investment is remarkably larger than that of exports.

Figure 1: Index of Current Value of Exports and Foreign-Direct-Investment Outflows<sup>2</sup>, 1975-1989



(Source: World Investment Report 1991, p. 5)

The United Nations Centre on Transnational Corporations (1991) suggests three major reasons for "the unparalleled growth" of foreign direct investment. First, the world economy has recovered from the recession of the early 1980s, and the recovery inspires both developed and developing countries. This economic growth enabled developing

<sup>2</sup>. The data originally came from UNCTC estimates, based on UNCTC, World Investment Directory (New York, UNCTC 1991), International monetary Fund balance-of-payments tape, retrieved on 10 January 1991; and United Nations, Monthly Bulletin of Statistics, October 1984 and October 1990.

countries to reverse some factors which had been inhibiting foreign investment in the early 1980s. Second, the number of developed countries that became vital investors increased, thereby eroding the positions of the United States and the United Kingdom. An investing country that has shown rapid growth from 1985 to 1989 is Japan. This is primarily because of the appreciation of the yen, which rendered overseas assets less expensive than domestic assets, along with "large current account surpluses and protectionist forces in its export markets" (The United Nations Centre on Transnational Corporations, 1991, p. 4). In addition, newly industrialized countries, such as Singapore, Hong Kong, and Taiwan, have emerged as outward investors "facing current account surpluses, appreciating currencies and rising production costs at home and fearing protectionist forces in their export markets" (The United Nations Centre on Transnational Corporations, 1991, p. 4). Third, the rise of the service industries in the world economy, coupled with the liberalization of regulations on capital flows, has increased international investment by transnational service corporations due to the difficulty of trading service products.

"The growth in the number of cross-border mergers and acquisitions, driven by technological and competitive forces, has contributed significantly to the rise of foreign direct investment" (United Nations Centre on Transnational

Corporations, 1991, p. 5). The recent trend of strengthening regional ties, such as the integration of the European Economic Community (EEC), has led to a rise in foreign direct investment into the Community, as well as to an increase in investments between the EC countries. As a result, the flow of foreign direct investment has grown faster than the world gross domestic product in recent years. This means that a larger share of the world output may be accounted for by foreign direct investment. It can be concluded that the importance of foreign direct investment has recently increased in both developed and developing countries (though it is more significant in developed countries) and in the entire world economy.

#### **Foreign Direct Investment in the United States**

As noted earlier, the U.S. not only has invested massively in foreign countries but also has attracted a number of foreign investors since the early 20th century. The following factors may have encouraged many other countries to invest in the U.S.:

1. Growth potential and accessibility to the immense U.S. market
2. Availability of high technology and highly skilled

and stable labor force

3. Relatively easy access to financial markets in the U.S.
4. Undervaluation of some companies' common stocks
5. The proximity of resources and the efficient distribution system in the U.S.
6. Lower production costs in the U.S. brought about by rising real wages, falling productivity, and increased taxes abroad
7. Relatively limited government intervention in industry
8. Political stability in the U.S. The poor political climate in some home countries, coupled with an expanding public sector and the threat of nationalization, has stimulated foreign investment activity.
9. Currency fluctuation
10. The need to secure access to the U.S. market in light of growing protectionism and the desire to increase vertical integration (Poniachek, 1986, p. 15).

These factors probably have made the U.S. market relatively more attractive than those of many other developed countries. This trend toward immense foreign investment in the U.S. has shifted U.S. public attention from the effects of U.S. investment abroad to that of



foreign direct investment in the U.S. The U.S.'s concern today is whether foreign direct investment brings favorable outcomes to the U.S. in terms of employment, economic growth, and national security. In this discussion there have been both positive and negative perspectives.

From the positive perspective, foreign direct investment furthers U.S. employment, technological progress, and the U.S.'s overall competitiveness in the international market. The United States Department of Commerce (1991) examined the role of U.S. foreign-owned affiliates in the U.S. and concluded that

(1) overall, they account for a still small share of the U.S. economy, even though their share doubled between the late 1970s and early 1980s, (2) they play a considerably more important role in the output, employment, and foreign trade of several industries' than others, and (3) during 1984-87, the share of the overall U.S. trade deficit represented by non-manufacturing U.S. affiliates was relatively large and growing compared to that represented by all other U.S. businesses (p. 30).

The U.S. Department of Commerce points out that foreign-owned U.S. affiliates have made a small but important contribution, especially to the growth in U.S. domestic

output. Since U.S. affiliates are, by definition, considered to be a part of U.S. productive assets, their output of goods and services is included in the U.S. gross domestic product, and their technological achievements are also considered to be U.S. achievements.

Those who have a negative perspective on foreign direct investment in the U.S. may have the feeling that foreign companies are "buying America":

Often armed with anecdotal evidence -- press articles, speeches, and books have warned against the possible detrimental effects of foreign investment, such as fears of ownership of our real estate or control over our natural resources, productive capacity, technological capability, of an excessive influence over the political process, and of the potential threat to our national security (U.S. Department of Commerce, 1991, p. 1).

The idea of foreign control over U.S. operations often seems to be associated with a feeling of being threatened. The vital question here is what the source of the threat is. Therefore, it is imperative to trace the history of inflows from major foreign investors.

Table 2 (p. 29) displays major foreign investing countries and the amount of investment by each country since

1950.

Table 2: Foreign Direct Investment Position in the U.S.,  
1950-1989

	1950 m\$	1955	1960	1965	1970	1975	1980	1983	1985	1987	1989
U.K.	1168	1749	2248	2852	4127	6331	14105	32152	43555	79669	119137
Netherlands	334	613	947	1304	2151	5347	19140	29182	37056	49115	60483
Switzerland	348	522	773	940	1545	2138	5070	7464	10568	14686	19329
Germany			103	209	680	1408	7596	10845	14816	20315	28223
Other Europe	377	485	636	771	1051	3360	8777	13293	15417	22291	34839
Canada	1029	1542	1934	2388	3117	5352	12162	11434	17131	24013	31538
Japan				118	229	591	4723	11336	19313	35151	69699
Other areas	134	165	269	214	370	3135	11472	21356	26758	26547	37569
Total	3391	5076	6910	8797	13270	27662	83046	137061	184615	271788	400817

(Sources: Statistical Abstract of the United States: 1991,  
1986, 1981, 1976, 1971, 1965, and 1960).

Since 1950 as well as before World War II, the U.K. has consistently been the largest investor in the U.S. Canada has also been investing a significant amount of capital in the U.S. The tendency of these countries to invest sizable amounts is probably due, in part, to their historical backgrounds and geographic locations. Among European countries, the Netherlands and West Germany presently rank second and third as investors in the U.S. However, it seems that the Netherlands has not elicited a major change in U.S. citizens' perceptions of its investment position in the U.S. because its investments have always been the second largest among European countries. The countries that have



accomplished a dramatic change in their foreign direct investment position in the U.S. during this period are Japan and Germany. The growth rate of investment from Japan after 1975 is especially remarkable. Although Germany's current amount of investment in the U.S. is not as large as Japan's, it could be concluded that both countries' investment positions in the U.S. have become strong enough, in quite a short period, to draw attention from U.S. citizens.

A feeling of threat may be due to a foreign country's change of status in relation to one's own country. If a country that has been perceived as weak in any way suddenly becomes strong, it would be hard for other countries to accept its new status as a strong nation because of the unfamiliarity of the idea. Particularly in foreign direct investment, the investing country's economic rise may conflict with the host country's interests. Moreover, since foreign direct investment involves foreign control over U.S. affiliates, it often brings new concepts and business practices to U.S. affiliates regardless of their wishes. In other words, U.S. affiliates often must, to some extent, adapt to a new corporate culture that has been long-established in the foreign investor's country. If this type of change takes place within the U.S. business society in a short time, it is very likely that U.S. citizens will perceive the change as a threat to their economic status or cultural identity. Therefore, the degree of economic power

of a foreign investing country and cultural distance between the U.S. and that country may be essential factors in influencing U.S. citizens' perceptions of foreign direct investment.

### **Economic Power Between Nations**

#### **The Concepts of Power and Economic Power**

Exploring the notion of economic power should start with a discussion of the concept of power itself. Pen (1971) defines the concept of power as "the capacity of a subject to have his own way". His concept seems to have something in common with Wiens' (1986) definition: "the ability of one actor to 'persuade' another actor to take or not take, depending on the situation, an action." If the concept of power involves the dynamics in a relationship among people, as Pen and Wiens point out, further distinctions should be made, and two possible criteria may be utilized: "the first concerns the origin of the power, the second the consequences (and possibly the aim) of the exercise of power" (Pen, 1971, p. 106).

Pen (1971) extends this concept of power to the concept of economic power; it may be defined as "power which originates in economic relations or as power which is

directed towards economic relations depending on the criterion chosen" (p. 106). What decides economic relations in a democratic society like that of the U.S. is the balance between participating subjects in an economic process, such as producing goods and services in order to receive income. Kelso (1986) renders a more specific and practical definition of economic power as "the power to produce goods and services; it is the power to earn income through engaging in the production of goods or services for purchase by consumers in the marketplace" (p. 166-167). Thus, the economic power between nations may be defined as the international dynamics in economic relations based on international comparison of the power to produce goods and services and to receive income earned through these economic processes.

### **Measurement of Economic Power**

A statistic which characterizes each country's economic power is the Gross National Product (GNP). The GNP is computed by aggregating all costs of production of goods and services (including payments for labor workers' inputs and capital workers' inputs) for a given time period (Kelso, 1986). As the GNP is an index of a country's aggregate resources, "the composition of output reflects the structure

of the country's capacity. The composition of the national product is determined by three conditions of supply - manpower, natural resources, and man-made resources (capital and technology) - and by the structure of demand" (Knorr, 1973, p. 50). In the respect that the GNP takes into account essential factors in economic processes, the statistic is fair enough as an indicator of a country's economic capacity. Knorr (1973) states that

the GNP statistics are the only data permitting an international comparison of the economic capabilities of countries (p. 47).

He also criticizes these statistics because

the GNP is a very rough, and far from accurate, indicator; and quantitative comparison encounters several conceptual and statistical difficulties. Its results should be accepted only with caution and reservation (p. 47).

According to the aphorism of the French political economist, Jean Baptiste Say, "supply creates its own demand." His famous principle, Say's Law of Markets, posits that the market value of goods and services produced (GNP) equals the aggregate purchasing power distributed to



participants in production (Kelso, 1986). If the law were always true in real life, the GNP could serve as a more accurate indicator of economic capabilities. However, the income earned is not always spendable; and the GNP may not reflect power relations, such as trade relations, between particular nations because high-GNP countries do not always enjoy trade surplus with low-GNP countries. However, the GNP is still a standard indicating power to produce goods and services, which is a base of economics<sup>3</sup>. Since the GNP reflects a country's population, the GNP per capita should be used for international comparison. High GNP per capita may mean efficiency in the economic process, including labor skills and technologies.

In order to examine power relations between nations, the trade balance between the involved countries should also be taken into consideration. Though a country's trade surplus with another country does not always mean that the country has more economic capability, it may affect perceived economic power as well as power relations between the countries to some extent. Trade balance is often mentioned by the mass media and thus, may attract attention from the public. In this paper, GNP per capita will be utilized as a main indicator for economic power, and trade balance will be considered as a sub-factor.

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<sup>3</sup>. While GNP may suffice as a measure of economic power, it is a poor measure of "development".

## **Why Economic Power Could Be a Factor Influencing Perceptions About Foreign Direct Investment**

The factor of economic power could become a threat, especially in regard to foreign direct investment, because it has the connotation of foreign control over the host nation's assets. At the present time, economic power might be considered a threat because when a country becomes economically more powerful, the country often becomes socially powerful. Kelso (1986) defines social power as "power that can be wielded within [an international] society by social means, that is, means free from brute force, undemocratic legal, coercion, and fraud." (p. 11) A country's social power may cause changes in other countries' democratic policy or attitudes toward issues without military force or official political requests. Although social power itself does not involve the use of any kind of physical force, the power is increased by a number of other factors, such as economic assets, "constitutional prerogatives", military forces, and "popular prestige" (Harsanyi, 1971). Among the factors influencing social power, two major components are economic power and political power (Kelso, 1986). This means that economic power can affect social power and thus political power, indirectly or directly.

The state-centric perspective is argued to be outdated as new actors have come on the scene and as new forces, predominantly economic, have altered the nature of international relations by entangling states in a network of interdependencies (Smith, 1986, p. 13).

Smith (1986) points out that a country's economic power may modify other countries' foreign policy and gradually alter the course of international relations. This phenomenon occurs for the following reasons: First, economic power is intertwined with political power as discussed earlier. Second, economic power may reinforce military power. Knorr's study (1973) has shown "a close relationship between GNP and military expenditures." The ten most economically developed countries, small and large, "produced 83 per cent of the world GNP and accounted for 70 per cent of world military spending in 1967" (Knorr, 1973, p. 46). Third, economic power may help to build a prestigious image of a country and prompt a feeling of superiority by dominating world communication systems and sources. Finally, these factors help to develop social power in international relations, and strong social power may produce more advantageous conditions, so that the country becomes even more economically powerful.

Considering these factors, in modern society where democracy and capitalism are well developed, economic power

could be more threatening than military power, which has been the greatest threat for many countries since World War II. Thus, the importance of economic power has been increasing as the world situation changes, and economic power is directly related to the ability to buy foreign assets. Therefore, it should not be surprising that people take cases of foreign direct investment more seriously if the foreign investor is from a economically powerful nation.

### **Section 3: Cultural Distance Between Nations**

#### **The Concept of Cultural Distance Between Nations**

Cultural distance refers to the degree to which an individual or a group of people who share a common culture are different from another individual or group of people who share a different culture. Thus, the more culturally dissimilar groups of people are, the further the cultural distance between them. A primary question here is exactly what "being culturally different" means.

Culture is a shared system of ideas that has grown out of the interactions and relationships of individuals or a group of people over time. If a group of people interact together over time and their behavior becomes "patterned" ("social ordering" has developed), "patterned and recurrent

social interactions 'give rise to shared sets of cultural ideas that symbolize, reflect and give meaning to the social order'" (Olsen, 1978, p. 163. as quoted in Gudykunst and Kim, 1984, p. 11). This cultural ordering is "not only associated with large collectivities (such as nations) but also with smaller collectivities (such as ethnic groups and families) that interact on an ongoing basis" (Gudykunst and Kim, 1984, p. 11).

According to the concept of culture discussed above, the cultural distance between nations can be defined as the degree to which different countries interpret the world they inhabit differently, and how much their citizens' patterned behaviors differ because of the shared agreements which have developed over time in each country. In this thesis, it is postulated that each nation shares some base culture, even in some countries that are culturally heterogeneous. Some countries have racially diverse populations or different ethnic groups and thus comprise many different subcultures. Still, those countries must share common symbolic ideas as a culturally diverse nation.

#### **Measurement of Cultural Distance**

There is no reliable means of converting a cultural characteristic to an index number. Since culture is

intangible in most cases, it would be extremely difficult to measure it quantitatively. However, an approach to sorting cultures according to their characteristics and to showing the spread of characteristics on a continuum was advanced by Edward T. Hall. Using the premise that "culture is a form of communication," Hall (1959) first introduced the idea of "contexting": "the perceptual process of recognizing, giving significance to, and incorporating contextual cues in interpreting the total meaning of any stimulus in a particular communication transaction" (Gudykunst and Kim, 1984, p. 120). Hall distinguishes cultures as high-context or low-context by applying the concept of contexting to the cross-cultural comparison of communication patterns. This distinction is not a simple categorization. Rather, high-context and low-context are "extreme ends of the same continuum, on which cultures can be placed according to the relative degree of implicitness or explicitness in perceptual and message patterns" (Gudykunst and Kim, 1984, p. 120-121). Thus, high-context cultures are characterized as "cultures that tend to place greater emphasis on sensitivity to and the significance of subtle contextual cues". Low-context cultures, on the other hand, "tend to emphasize spoken or written verbal messages that are explicitly coded" (Gudykunst and Kim, 1984, p. 121).

Hall and Hall (1989) describes high-context and low-context cultures in their book *Understanding Cultural*

*Differences.*

High-context people have extensive information networks among family, friends, colleagues, and clients and, are involved in close personal relationships. As a result, for most normal transactions in daily life they do not require, nor do they expect, much in depth, background information. This is because they keep themselves informed about everything having to do with the people who are important in their lives. Low-context people compartmentalize their personal relationships, their work and many aspects of day-to-day life. Consequently, each time they interact with others they need detailed background information (p. 6-7).

According to E. T. Hall (1976), the culture of the United States is considered to be low-context; and the German, Scandinavian, and German-Swiss cultures are placed even lower on the continuum. On the other hand, most Asian cultures, like those of Japan and China, and Arabic cultures are high-context in most respects. Latin European countries, such as France, Italy, and Spain, have relatively high-context cultures, but they are still characterized as being closer to low-context cultures. Gudykunst and Kim (1984) list 12 cultures on a continuum from low-context to high-context: " Swiss-German, German, Scandinavian, United

States, French, English, Italian, Spanish, Greek, Arab, Chinese, and Japanese" (p. 13). Thus, the culture of the United States falls into the same category as the German culture, and its characteristics as a low-context culture are assumed to be more similar to the French or English culture than the Chinese and Japanese cultures which have strong predispositions towards high-context culture.

The Hall's idea of contexting is helpful as a way to look at cultures. Although many researchers in the field of intercultural communication utilize his concept in describing cultures, it may be an intuitive categorization based on his own observation, because cultures have many complex dimensions. Thus, the continuum from low-context to high-context is probably not an absolute measurement of cultural distance. However, it is true that Hall's idea gives us a clear-cut way of distinguishing cultures, and it has been used frequently.

As stated earlier, culture consists of long-established shared ideas or patterned behaviors among a group of people. Depending on its history, it may be bounded by nations, ethnic groups or races, or religions depending on its history. Therefore, historic, ethnic or racial, and religious backgrounds are also significant factors in discussing cultural distance. Perceived cultural distance, which may not always correspond with reality, is often affected by degree of perceived similarity. That is, if two



groups of people are racially, ethnically, or religiously similar, and if they have not interacted with each other enough to know each other very well, people in the two groups are likely to assume that they are culturally more similar to each other than to other groups of people who are racially, ethnically or religiously very different. For example, Chinese people may perceive Japanese as more similar to them than Greeks or Arabians though their cultures all fall into the high-context category. In the same way, people in the low-context culture of the United States may perceive the English or the Italians as culturally similar to themselves, although English and Italian cultures are relatively high-context. These perceptions of countries are also related to the image of each country established over a long historical period.

In this study, Hall's method of distinguishing among cultures will be utilized in determining cultural distance. However, historic, ethnic or racial, and religious factors will also be considered because they may affect perceived cultural distance.

#### **Why Cultural Distance Could Be a Factor Influencing Perceptions About Foreign Direct Investment**

According to uncertainty theory, when a person meets

someone new, the first thing he or she does is attempt to reduce uncertainty about the stranger by making predictions about the outcome of the communication (Berger and Calabrese, 1975). This theory was modified by arguing that people try to reduce uncertainty when a stranger might be encountered again in the future, or when the stranger provides or will provide rewards to them, or acts in a "deviant" way (Berger, 1979). If a person meets someone from a different culture, the stranger's behavior probably appears to be "deviant." This theory could be applied to intercultural communication, in that people are perhaps more eager to attempt to reduce uncertainty in an encounter with someone from a different culture than with someone from their own culture. Miller and Steinberg (1975) also point out that people use a cultural level of data as well as sociological and psychological data in making predictions about others' behavior. Miller and Sunnafrank (1982) explain the importance of the cultural level of data:

Upon first encountering a stranger, cultural information provides the only grounds for communicative predictions. This fact explains the uneasiness and perceived lack of control most people experience when thrust into an alien culture: they not only lack information about the individuals with whom they must communicate, they are bereft of information concerning

shared cultural norms and values. (p. 226-227).

If two individuals or two groups of people are culturally distant, they are probably lacking the cultural information that is needed to make more accurate predictions about each other, and an inaccurate prediction may cause misunderstanding between them. This process usually seems to take place unconsciously. Thus, in many cases, the involved people are not even aware of the existence of subtle misunderstandings. This concept of interpersonal relations could be applied to intergroup relations, including international relations. Tims and Miller (1986) find that "the structural determinants of intergroup relation and interpersonal attraction may have direct parallels in the formation of opinions toward foreign countries" (p. 481).

Foreign direct investment seems to be easy to grasp because it is a business activity in which everything proceeds on a contract basis with both parties' agreement. However, misunderstanding may arise at two levels: first, the involved parties' misunderstanding of each other in the process of dealing with direct investment; and second, misinterpretation by a third person or party, such as the mass media and politicians.

At the first level, since the two parties' value systems, customs, and expectations of each other are quite

different, they may not understand certain behaviors. Because of high level of uncertainty, the parties may fail to make accurate predictions about each other. This could lead to feelings of insecurity or lack of trust which then may create misunderstanding and misperceptions.

At the second level, cultural difference may prevent the mass media and politicians (who are most likely to be opinion leaders in U.S. society) from understanding the nuances of a foreign investor's announcements or comments. If they interpret the issue differently than the foreign investor's intention, there is a possibility that they may give the public a misleading picture of the foreign investor, the case of the investment or even the country of origin of the foreign investor through their own interpretation. This unconscious misinterpretation by opinion leaders may ultimately bias perceptions of the entire public through the processes discussed in Chapter 1.

### **The Integration of The Concepts of Economic Power and Cultural Distance**

The concept of economic power appears to have no association with the concept of cultural distance. They are completely different ideas, but both ideas seem to have considerable power to influence perceptions of foreign

countries, and thus, international relations.

Nincic and Russett (1979) show how "similarity" and "interest" between nations affect attitudes toward foreign countries. They question similarity in terms of race, language, religion, political system, and level of economic activity (measured by the gross national product per capita). As indicators of interest of countries, they use direct investment, trade, military bases, and military personnel. They conclude that "both similarity and interest prove to be good predictors [of levels of U.S. public approval of foreign countries]. Interest performs better than similarity, suggesting the salience and relative accuracy with which the broad outlines of American 'national interest' are communicated within the American public" (Nincic and Russett, 1979, p. 73). According to their findings, cultural distance should function negatively in influencing perceptions. The factor of economic power is also predicted to have a negative influence on perceptions of a foreign country when the foreign country has strong economic power that might conflict with U.S. interests.

Johnson and Tims (1985) explore the issue of cultural distance by examining three factors related to forming closer international ties, specifically between the U.S. and Mexico. The three factors are shared interests, perceived threats, and homophily, which is defined as "the degree to which parties 'are similar in certain attributes, such as

beliefs, values, education, social status and the like'" (Rogers and Shoemaker, 1971, p.14, as quoted in Johnson and Tims, 1985, p. 260). They find that homophily has the strongest positive association with the desire for closer relationship between the U.S. and Mexico, while threats have "a substantial negative" relationship with it. Tims and Miller (1986) elaborate on this study: "Just as we tend to like individuals with whom we share common interests and characteristics, it can be argued that we tend to like other countries to the extent that we perceive them to have common interests and characteristics with our own" (p. 473-474). Belief congruence theory also supports the idea of homophily. The theory states that outgroup rejection is based on perceived differences in beliefs, attitudes, and values (Insko, Nacoste, and Moe, 1983).

From these research findings, it is reasonable to suppose that economic power and cultural distance tend to influence newspaper portrayals of foreign direct investment negatively. Particularly, these factors may directly affect the portrayals of a foreign investor's country of origin because they are characteristics of the country, not of the case nor the investor. However, they may still affect the portrayals of a case of foreign direct investment and its foreign investor due to the image of the country of origin. Therefore, the following hypotheses are pertinent to this study.

[Hypothesis 1]

1.a. High economic power tends to negatively influence portrayals of a foreign investor's country of origin in newspaper articles about foreign direct investment.

1.b. High economic power tends to negatively influence portrayals of a case of foreign direct investment in newspaper articles about foreign direct investment.

1.c. High economic power tends to negatively influence portrayals of a foreign investor in newspaper articles about foreign direct investment.

[Hypothesis 2]

2.a. Greater cultural distance tends to negatively influence portrayals of a foreign investor's country of origin in newspaper articles about foreign direct investment.

2.b. Greater cultural distance tends to negatively influence portrayals of a case of foreign direct investment in newspaper articles about foreign direct investment.

2.c. Greater cultural distance tends to negatively influence portrayals of a foreign investor in newspaper articles about foreign direct investment.

An important question is how the factors of economic power and cultural distance influence perceptions when the two factors function together. Although previous research suggests that perceived similarity is one of the most

important factors for effective communication leading to closer relationships, the issue of foreign direct investment seems to be interrelated with economic power more directly than with cultural distance. Therefore, it is predicted that the factor of foreign direct investment has more direct impact in influencing perceptions than the factor of cultural distance. However, the factor of cultural distance would have a greater effect when the factor of economic power exists to a large extent.

Thus, an additional hypothesis is advanced.

[Hypothesis 3]

3.a. When economic power is high, cultural distance is a more important factor in influencing newspaper portrayals of a foreign investor's country of origin than when economic power is low.

3.b. When economic power is high, cultural distance is a more important factor in influencing newspaper portrayals of a case of foreign direct investment than when economic power is low.

3.c. When economic power is high, cultural distance is a more important factor in influencing newspaper portrayals of a foreign investor than when economic power is low.

When these hypotheses are applied to this study of four cases of foreign direct investment from the U.K., Germany, Japan, and Hong Kong, the following explanation would be plausible.



Since the U.K. is not currently economically strong enough to be a threat to the U.S. and is culturally similar to the U.S., it is predicted that U.S. newspapers' reactions to U.K. investment (all in terms of the case, the investor, and the country) will be favorable or neutral<sup>4</sup>. Japan, on the other hand, rapidly became economically strong relative to the U.S. and is culturally distant. Therefore, according to the hypotheses, Japan is most likely to elicit unfavorable reactions (all in terms of the case, the investor, and the country) from the U.S. public. Although Hong Kong is also culturally different from the U.S., that country has been influenced by British culture to some extent, and Chinese culture is not as high-context as Japanese culture according to Hall. Moreover, Hong Kong is not as economically strong as the U.S. Thus, direct investment by Hong Kong investment will probably receive somewhat unfavorable (but more favorable than direct investment by a Japanese company) or indifferent reactions (all in terms of the case, the investor, and the country) from U.S. newspapers. Although Germany is culturally proximate to the U.S., a German investment is also likely to elicit somewhat unfavorable or neutral reactions (all in terms of the case, the investor, and the country) from the U.S. public because of Germany's economic strength. The

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<sup>4</sup>. Newspaper writers attempt to be objective and not to support either side, and thus, newspaper articles tend to be neutral in general.

factor of economic power probably functions more directly than the factor of cultural distance in ordinary type of foreign direct investment. Thus, overall predicted outcomes for this study are the following:

Table 3: Overall Predicted Outcome of the Study

	Culturally proximate	Culturally distant
Economically strong	Germany somewhat negative or neutral	Japan least positive or negative
Economically weak	The U.K. positive or neutral	Hong Kong neutral or somewhat negative

## **CHAPTER 3.**

### **RESEARCH METHOD**

#### **Research Design**

The content of newspaper articles about four cases of foreign direct investment was analyzed to examine U.S. journalists' portrayals of these cases. Although television is immediate and currently the most prevalent media, newspapers were chosen for analysis because (1) newspapers may be more influential on complicated issues such as foreign direct investment, and (2) accurate data collection from newspapers is more feasible than that from TV. As noted in Chapter 1, newspaper articles often explain the "development" of stories so that readers can understand an issue in depth. In addition, newspaper readership is higher among educated and high-income people who may be more interested in foreign direct investment. Thus, people who are interested in the issue of foreign direct investment are more likely to rely on newspapers than on TV as an information source for that issue.

Another advantage of content analysis of newspaper articles is the accessibility of actual data. It is relatively easy to access the full text of newspaper articles, whereas video tapes of TV shows are not usually available in public libraries. Moreover, abstracts of TV

shows, although they are relatively easily obtained, are not suitable data for this study because the impression of the audience depends not only on the content of the show but also on visual and sound effects, the newscaster's style of reporting and the way in which the show was directed.

In selecting particular newspapers for this study, general characteristics and circulation of major newspapers (see Table 4 in p. 54), and the number of articles issued regarding four cases of foreign direct investment in these newspapers were considered. As a result, the *Wall Street Journal*, *The New York Times*, the *Los Angeles Times*, and the *Chicago Tribune* were chosen.

The *Wall Street Journal* was chosen because it is the most recognized and most widely circulated financial newspaper in the U.S. *The New York Times* is famous for its extensive international coverage; it is internationally recognized, and carries more national news than regional news. Both newspapers have more readers nationwide than other major newspapers, which serve regional markets, and they are quite influential economically and politically. For instance, the *Wall Street Journal*, as a financial newspaper,

had an absolutely vital role to play in disseminating and legitimating the ideas which became associated with Ronald Reagan and without its support it is difficult

to see how the supply-side argument could possibly have achieved such a leading position in the economic policy debates which took place from the mid-1970s onward (Parsons, 1990, p. 149).

In his book, *The Power of the Financial Press*, Parsons (1990) also emphasizes *The New York Times'* role in providing economic ideas along with its political and social impacts.

Table 4: Circulation of Major Newspapers

	Weekday	Sunday
<i>Wall Street Journal</i>	1,931,410	
<i>New York Times</i>	1,056,924	1,645,060
<i>Los Angeles Times</i>	1,136,813	1,421,711
<i>Washington Post</i>	796,659	1,112,802
<i>Chicago Tribune</i>	758,464	1,126,293

(Source: Gale Directory of Publications and Broadcast Media, 1990, 122nd Edition)

The *Los Angeles Times* has recently achieved more weekday circulation than *The New York Times*. The 1992 *Media Guide* explains that "the LAT is now following a format very much like that of *The New York Times*, its biggest and most prestigious competitor" (Wanniski, et al., eds, 1992, p. 133). The paper is being transformed from a big local paper to a national paper. The *Media Guide* adds this comment:

"the newspaper of record West of the Mississippi, the *Los Angeles Times* continues to impress us with its smart mix of local and foreign reporting and spicy commentary" (Wanniski, et al., eds, 1992, p. 133). Although *The New York Times* serves nationwide, the *Los Angeles Times* is absolutely dominant in the West. Its large circulation and its international climate satisfy the criteria for newspapers to be selected for this study.

The circulation of the *Washington Post* is exceeded only by the circulation of these three major papers and it is slightly larger than the *Chicago Tribune*. Historically, the *Washington Post* is a rather politically-oriented paper, and thus, its international coverage also tends to center on diplomacy, politics and economics. In fact, the *Washington Post* published only one article regarding the selected four cases of foreign direct investment. In contrast, the *Chicago Tribune* issued a total of 21 articles about the four cases. A possible reason for this phenomenon is a geographical location of the two cities. Chicago has an internationally well-known stock exchange like the one in New York and is a center of business in the mid-west, while Washington D.C. is the center of the government. News about foreign direct investment is very important for those who are involved in the stock market because it can directly affect the value of stocks and bonds. The *Chicago Tribune* is probably as vital an information source for people around

this area as the *Wall Street Journal* is. For these reasons, the *Chicago Tribune* was also selected for this study.

An underlying idea in this study is that the factors of economic power and cultural distance may function negatively in influencing journalists' portrayals of foreign direct investment. To test these two factors, four current cases of foreign direct investment, one each by British, German, Japanese and Hong Kong companies, were compared by using content analysis of newspaper articles. The research design of this study can be represented as a 2x2 matrix, involving two levels of economic power (strong and weak relative to the U.S.) and two levels of cultural distance (culturally close and culturally distant relative to the U.S.).

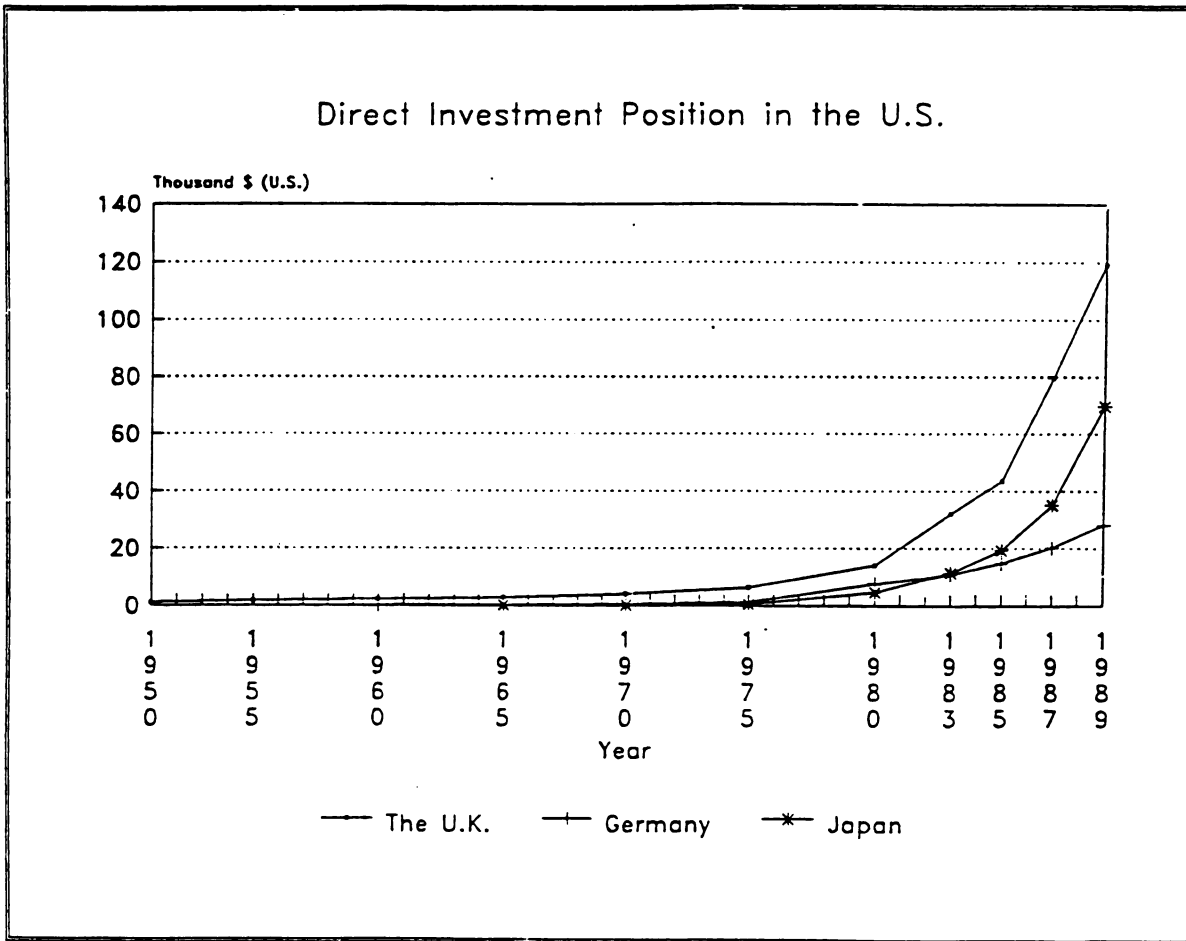
Table 5: Matrix of the Research Design

	Culturally proximate	Culturally distant
Economically strong	Germany	Japan
Economically weak	The U.K.	Hong Kong

Four countries of origin, the U.K., Germany, Japan and Hong Kong, have been chosen for several reasons. The U.K. has been the largest investor in the U.S. to date. Germany and Japan have been investing a significant amount of capital in the U.S. since the 1970s and have been expanding their share in inflows of foreign investment in the U.S.

(See Figure 2, p. 57, and Table 1, p. 18) Hong Kong has recently attracted attention from developed countries as a

Figure 2: Direct Investment Position of Germany, the U.K., and Japan in the United States



(Sources: Statistical Abstract of the United States: 1991, 1986, 1981, 1976, 1971, 1966, and 1960).



newly industrialized country, rendering a notable trade surplus to the U.S. (see Table 6, p. 59), although Hong Kong firms have never been large investors in the U.S. Moreover, Germany and Japan were both economically weak after World War II. Currently they are economically strong, while the U.K. and Hong Kong are economically weak relative to the U.S. (even though they are still economically strong compared to many other countries in the world). Relative strength is measured by each country's GNP per capita (see Figure 3, p. 60), and trade situation (see Table 6, p. 59). In addition, the cultural distance between the U.S. and Germany or the U.K. is probably less than the cultural distance between the U.S. and Japan or Hong Kong, according to Hall's concept of the continuum of low- and high-context cultures (as explained in Chapter 2) and the four countries' ethnic and racial backgrounds. (see Table 7, p. 61). Thus, selecting these four countries from all investing countries enables a test of four conditions (high economic power and high cultural distance, high economic power and low cultural distance, low economic power and high cultural distance, and low economic power and low cultural distance).

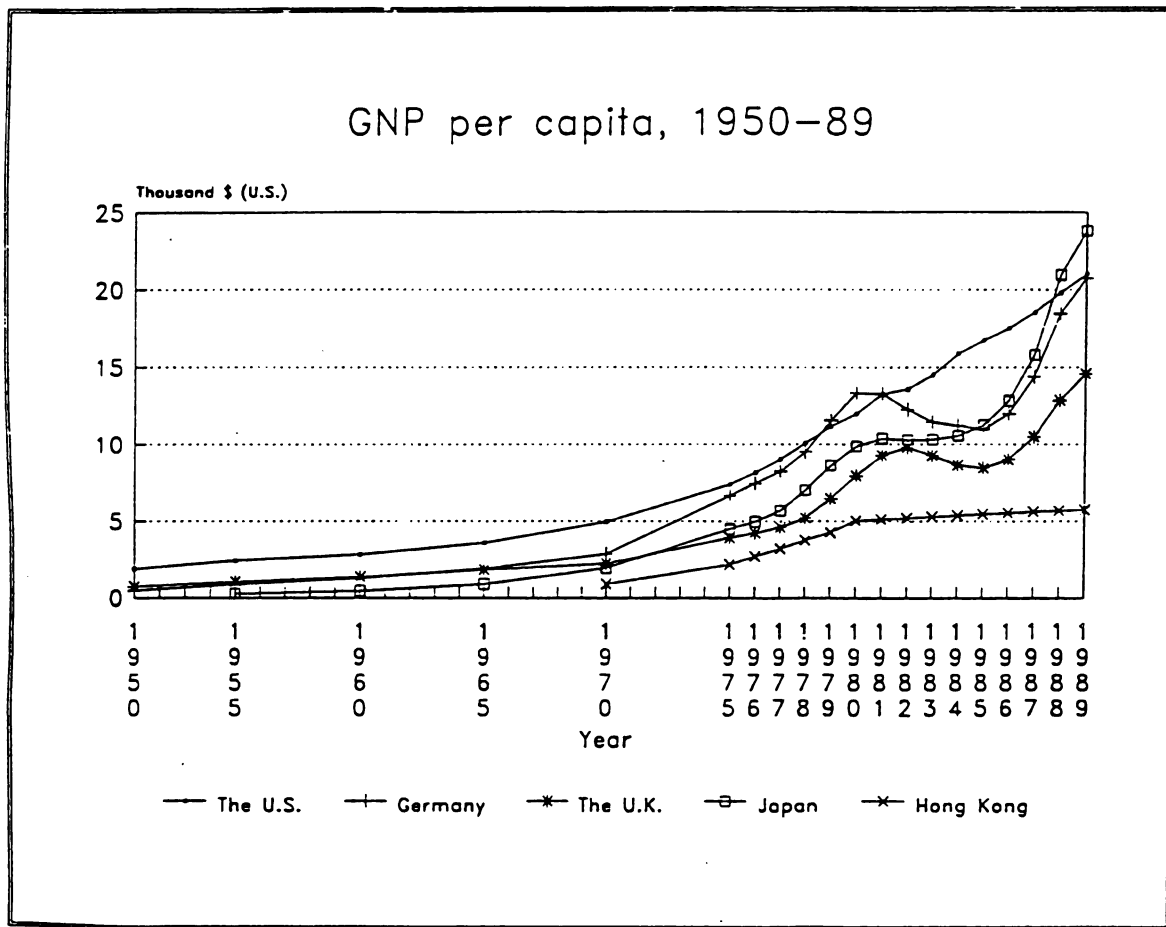
**Table 6: The U.S. Trade Balance with Germany, the U.K., Japan, and Hong Kong, 1950-1990**

	Germany		The U.K.		Japan		Hong Kong	
Year	m\$	%	m\$	%	m\$	%	m\$	%
1950	335	(+62%)	176	(+22%)	234	(+39%)	97	(+90%)
1955	241	(+25%)	390	(+24%)	251	(+23%)	36	(+55%)
1960	375	(+17%)	494	(+20%)	298	(+11%)	-14	(-5%)
1965	309	(+10%)	210	(+7%)	-334	(-7%)	-152	(-28%)
1970	-390	(-7%)	341	(+7%)	-1223	(-12%)	-539	(-40%)
1975	-216	(-2%)	754	(+9%)	-1862	(-9%)	-765	(-32%)
1980	-733	(-3%)	2852	(+13%)	-9924	(-19%)	-2053	(-28%)
1982	-2684	(-13%)	-2450	(-10%)	-16778	(-29%)	-3087	(-39%)
1984	-7912	(-30%)	-2282	(-9%)	-33560	(-42%)	-5204	(-46%)
1986	-14563	(-41%)	-3978	(-15%)	-55029	(-51%)	-5861	(-49%)
1988	-12172	(-30%)	362	(+1%)	-52070	(-41%)	-4552	(-35%)
1990	-9419	(-20%)	3196	(+7%)	-41071	(-30%)	-2648	(-16%)

( ) shows the percentage of U.S. trade surplus (+) or deficit (-) relative to the total amount of trading (exports and imports) between the U.S. and each country.

(Source: Statistical Abstract of the United States: 1991, 1986, 1981, 1976, 1971, 1966, 1960).

Figure 3: GNP per capita of the U.S., the U.K., Germany, Japan, and Hong Kong, 1950-1989



(Sources: World Tables 1991, and National Accounts Statistics of OECD countries, 1950-1968).

Table 7: Demographic Data of the U.S., the U.K., Germany, Japan, and Hong Kong.

	The U.S.	The U.K.	Germany (Federal Republic of,)	Hong Kong	Japan
<b>Ethnic groups</b>	White(mainly European origin) 80.3% Black 12.1% American Indians & Eskimo Aleut 0.8% Asian Pacific Islanders 2.9% Hispanics 9.0%	British West Indian South Asian	German Danish (minority)	Chinese 98% Other 2%	Japanese Korean 0.6%
<b>Religions</b>	Protestant 56% Catholic 28% Jewish 2% Other 4% None 10%	Church of England Roman Catholic Presbyterian	Roman Catholic 47% Protestant 44%	Eclectic mixture of local religions 90% Christian 10%	Shintoism Buddhism Christian 0.8%
<b>Languages</b>	English	English Welsh Gaelic	German	Cantonese English (official)	Japanese

(Sources: Statistical Abstract of the United States: 1991, Background Notes; the United Kingdom, Federal Republic of Germany, Japan, and Hong Kong).

Germany, allied to Japan, fought against the U.S. during World War II. By selecting Germany as a culturally proximate country rather than the Netherlands or Switzerland which have also been large investors in the U.S. but were not involved in World War II as a U.S. enemy, the research can eliminate the possibility of perception bias by the influence of World War II. Moreover, Germany has recently been causing other countries' concern about the economic impact of its unity with East Germany. Therefore, Germany could be perceived as a greater economic threat to U.S. citizens, even though the Netherlands has been investing a much larger amount of capital in the U.S.

Hong Kong residents are perceived as culturally distant from Americans because of their Chinese heritage, although the country follows British political and economic systems. Culturally, Hong Kong functions well as a case culturally distant from the U.S., and may introduce an interesting argument at the same time.

In short, the U.K., Germany, Japan, and Hong Kong were chosen among major investing countries or countries which have recently drawn attention from the U.S. in order to provide examples of four different cultural and economic conditions.

### **Sample**

Selecting particular cases of foreign direct investment from these four countries was a very important task in this study. Cases of foreign direct investment could vary greatly, depending on the type of industries and corporations involved, the type of investment, and the economic and political environment. Thus, a case of investment by a certain country at a certain time period may not be representative of all, or even other, cases by firms from that country at that time. Since it is difficult to generalize results in this type of study, the process of selection must be consistent in order to achieve the maximum degree of generality possible through a comparison of cases.

The first rule in selecting particular cases of foreign direct investment in this study was to consider the largest transactions (in terms of value of investment) by firms in each country. Large deals tend to attract more attention from the mass media, and thus, assure a larger number of newspaper articles for analysis. It is also important to balance the amount of capital involved among four cases to the extent possible in order to prevent the effect of differences in value from affecting the reactions of newspapers.

Second, the type of business or industry in which a company is engaged may affect the symbolic meaning of the

company and the significance of the takeover for U.S. society, and thus, for journalists. How much, and in what way, the company or the company's business is important for U.S. citizens may be a key factor in determining the impact on U.S. journalists and citizens when the company is acquired by a foreign firm. Therefore, choosing cases of foreign direct investment from culturally significant industries or businesses, such as entertainment, broadcasting, publishing, and manufacturing companies that produce products considered to be cultural symbols of the U.S., should be avoided unless all four cases of foreign direct investment are from such industries. Cases involving highly visible real estate should be avoided for the same reason.

Third, the type of foreign direct investment (see Table 8, p. 66) should not be too diverse among the four selected cases. For example, mergers and acquisitions are often placed in the same category, but joint ventures may have a different meaning to the U.S. public.

Fourth, the time period from which cases of foreign direct investment are selected should be determined by considering each country's economic situation, the world trend of foreign direct investment, and the accessibility of accurate data of actual transactions. The time period used for selecting current cases is from 1983 to 1989. The world trend in foreign direct investment changed in 1983 when

foreign direct investment outflows started to grow rapidly again and this trend has continued to date (United Nations Centre on Transnational Corporations, 1991). The U.S. Department of Commerce publishes completed transactions of foreign direct investment in the U.S. annually; and, according to the department, the 1989 issue of annual transactions is the most recent issue. Selecting the time period from 1983 to 1989 is reasonable for obtaining accurate data within a period when the environment of foreign direct investment was relatively consistent.



Table 8: Typical Types of Foreign Investment

Acquisition	A transaction in which title to stock or assets of the U.S. target is secured by another person or enterprise. The substantive result is that one party obtains ownership of another.
Merger	A transaction which results in the dissolution or the acquired business enterprise, into either another already existing or into a reorganized (but not always renamed) company.
Joint Venture	A transaction in which two or more parties establish a new corporation to which each contributes according to the provisions of the joint venture agreement.
Purchases	(Usually refers to) realty transactions, specifically the acquisition of real property.
Equity Increase	A rise in the percentage of equity securities held, or an equivalent increase in percentage ownership, by a foreign investor.
New Plant	A new operating facility, established either in conjunction with an existing foreign-owned productive enterprise or as a completely new venture.

(Source: Foreign Direct Investment in the United States... Transactions, 1984, p. 99-100)

Following these rules, four cases of current foreign direct investment have been selected: from the U.K., Bass PLC's acquisition of Holiday Inns Inc. in 1989, valued at \$2.23 billion; from Germany, Hoechst Ag's merger of Celanese Corporation in 1987, valued at \$2.85 billion; from Hong Kong, Hongkong & Shanghai Banking Corporation's equity increase in Marine Midland Banks in 1987, valued at \$756 million; and from Japan, Bridgestone Corporation's acquisition of Firestone Tire & Rubber Company in 1988, valued at \$2.6 billion.

The Hongkong & Shanghai Banking Corporation's case involved a very small amount of capital flow compared to the other three cases, although it was the largest among cases of investment from Hong Kong in terms of its value during the period. However, since Hong Kong is still economically weak relative to the other countries (see Figure 3, p. 60), it has not invested as much as the other countries. Unlike the other cases, the case of the Hongkong & Shanghai Banking Corporation is neither a merger nor an acquisition, but an equity increase case. Equity increase is usually a prior step to mergers, acquisitions, and purchases although its results do not include a complete shift of ownership. Thus, equity increase always implies the possibility of mergers and acquisitions in the end and can generate fear toward the next step. During the process, people may not know whether the equity increase will result in acquisition. Depending

on the case, an equity increase could have the same impact on the public depending on the case as acquisition. However, these differences in the type of investment and the value involved may moderate the reactions of American newspapers toward the case. Thus, in spite of the original predicted outcome (see Table 3, p. 51) for the case of investment from Hong Kong (which was somewhat unfavorable or neutral), it may be restated as somewhat favorable (compared to the German case) or neutral for this particular case.

The following newspaper articles about the four selected cases were found in the *Wall Street Journal*, *The New York Times*, the *Los Angeles Times*, and the *Chicago Tribune*. The total sample population for this study was 109.

Table 9: Sample Population

	British case	German case	Japanese case	Hong Kong case
Foreign company	Bass PLC	Hoechst	Bridgestone	Hongkong & Shanghai Banking
American company	Holiday Inns Inc.	Celanese	Firestone Tire & Rubber	Marine Midland Banks
WSJ	5	16	20	12
NYT	5	3	14	2
LAT	2	1	7	3
CT	0	2	15	2
Total	12	22	56	19

### **Content Analysis**

Types of portrayals of newspaper articles about the four cases of foreign direct investment were tested by utilizing two coders. Coders were trained according to specific guidelines. (See Appendix A, p. 112) After training, coders were asked to read the articles as they normally read newspaper articles. Then, they stated whether the articles had given them a (1) positive, (2) somewhat positive, (3) neutral, (4) somewhat negative, or (5) negative impression of (a) the investor's country of origin, (b) the case of foreign direct investment, and (c) the foreign investor. The unit of coding in this study was the article, because a word, a sentence, or even a paragraph may often be misinterpreted when it is considered outside the context of the whole article. Moreover, the number of negative or positive sentences may not be a reliable indicator of the reader's impressions of the article because one strongly negative sentence could make the impression of the whole article negative. The purpose of this content analysis is to make inferences about the perceptions of general newspaper readers who usually do not pay attention to each word and may not read newspaper articles thoroughly.

Since the unit of analysis is rather large (and because the number of articles is not large), training of coders was extremely important in this study. Coders were two college

students majoring in business. At the beginning of their training, the coders had a brainstorming session. They read some articles about different cases of foreign direct investment (which were not from the sample population), and freely discussed their impressions, what made them think as they did, and how one article was different from another. This brainstorming was aimed at making coders aware of what type of words or expressions they should be alert to in the process of coding. It was also intended to give them a broad idea of positive and negative connotations of newspaper articles by asking them to find positive and negative expressions in the articles on their own. Then they were provided with guidelines for coding and examples of negative, somewhat negative, neutral, somewhat positive, and positive expressions.

At this point, a pretest of coders was conducted by using 10 articles of foreign direct investment (which were not from the sample population). The calculation of intercoder reliability was as follows:

$$\text{Intercoder reliability (k)} = \frac{P_1 - P_c}{1 - P_c}$$

$P_1$  = % of observed agreement

$P_c$  = % of 1/the number of categories

(Krippendorff, 1980)

The training of coders continued until the intercoder reliability reached .85 or above. Then the sample population (109 articles) was content analyzed by the two

coders following the guidelines for coders.

### **Pretest Discussion**

In explaining how to categorize types of portrayals in an article, the conceptual and operational definitions of each category (1) positive, (2) somewhat positive, (3) neutral, (4) somewhat negative, and (5) negative were clarified.

#### **Conceptual definition of each category**

##### **Positive --**

Presenting or implying favorable attitudes toward an object through an article. Dominantly stating facts which may imply constructive or good thoughts and emotions about an object.

##### **Somewhat Positive --**

Presenting or implying favorable attitudes toward an object to some extent through an article. Moderately stating facts which may imply constructive or good thoughts and emotions about an object.

##### **Neutral --**

"Not supporting or assisting either side in a dispute or conflict" (The Oxford English Dictionary). Neither

positive nor negative about an object.

Somewhat Negative --

Presenting or implying unfavorable attitudes toward an object to some extent through an article. Moderately stating facts which may imply destructive or faulty thoughts and emotions about an object.

Negative --

Presenting or implying unfavorable attitudes toward an object through an article. Dominantly stating facts which may imply destructive or faulty thoughts and emotions about an object.

Operational definition of each category of articles

Positive --

An article which includes almost entirely positive quotations, comments, or facts about an object; an article which includes some negative quotations, comments, or facts about an object in order to retort against the negative idea and to make the impression of the object from the article positive; or an article which is mostly stated neutrally, but includes some strongly positive quotations, comments, or facts about an object, enough to make the impression of the object from the

article positive.

Somewhat Positive --

An article which includes both positive and negative quotations, comments, or facts about an object, but the impression of the object from the article is inclined to be positive; or an article which is mostly stated neutrally, but includes some relatively positive quotations, comments, or facts about an object, and thus, could hardly be categorized as neutral.

Neutral --

An article which states facts without either positive or negative connotations about an object; or an article which includes both positive and negative quotations, comments, or facts about an object to the same extent and does not support either side.

Somewhat Negative --

An article which includes both negative and positive quotations, comments, or facts about an object, but the impression of the object from the article is inclined to be negative; or an article which is mostly stated neutrally, but includes some relatively negative quotations, comments, or facts about an object, and thus, could hardly be categorized as neutral.



### Negative --

An article which includes almost entirely negative quotations, comments, or facts about an object; an article which includes some positive quotations, comments, or facts about an object in order to retort against the positive idea and to make the impression of the object from the article negative; or an article which is mostly stated neutrally, but includes some strongly negative quotations, comments, or facts about an object, enough to make the impression of the object from the article negative.

Guidelines for coders, which include the above conceptual and operational definitions of each category, were provided to coders as instructions for this content analysis. Through the guidelines, coders were familiarized with what content analysis is in general, and the specific purpose of content analysis in this study. Then, the following coding rules and examples of positive and negative expressions were given. In the process of coding, coders used three categories (positive, neutral, and negative), instead of five categories, in deciding a type of connotation of each expression in order to avoid confusion due to complexity of using five categories for each small piece. When coders decided types of portrayals of a whole article, they used five categories about each object so that the range of

neutral could be more limited and precise.

### Coding Rules and Examples

1. The coder will underline the word(s), the sentence(s), or the paragraph(s) which indicate(s) positive or negative connotations if there is any.

2. If the word(s), the sentence(s), or the paragraph(s) give(s) a positive or somewhat positive impression about the object (a) (the investor's country of origin), the coder will place "+ C" (Country), place "+ D" (Deal) about the object (b) (the case of foreign direct investment), and place "+ I" about the object (c) (the investor) at the beginning of the word(s), the sentence(s), or the paragraph(s).

#### Example A

+ D

The acquisition of America Co.<sup>1</sup> fits perfectly with B & B<sup>2</sup>'s strategy of operating basic businesses which meet essential human needs.

This sentence is somewhat positive toward the case, and thus, "+ D" should be placed because it is talking about

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<sup>1</sup>. America Co. -- a U.S. company which was or will be acquired by a foreign investor.

<sup>2</sup>. B & B Co. -- a foreign investor.

the compatibility of the two companies, which may lead America Co. to a better direction in the future due to the deal.

#### Example B

+ D + I

Breathing New Life into America Co.

B & B Co.'s \$1 billion renovation of America Co. world wide was discussed yesterday after the deal was made.

This paragraph should be categorized as positive toward the case and the foreign investor because it implies that America Co's operation has been in a bad shape, however, it is being restored due to the acquisition by B & B Co. Thus, it makes positive impression about both the case and the investor.

#### Example C

+ C

The Italians are producing needed capital and some technical expertise. They are increasing the global competitiveness of U.S. industry.

This paragraph is very positive toward the foreign

investor's country because the paragraph talks about the foreign country's contributions to the U.S. economy.

3. If the word(s), the sentence(s), or the paragraph(s) give(s) a negative or somewhat negative impression about the object (a) (the investor's country of origin), the coder will place "- C", place "- D" about the object (b) (the case of foreign direct investment), and place "- I" about the object (c) (the investor) at the beginning of the word(s), the sentence(s), or the paragraph(s).

#### Example D

- I

Mr. B (the president of B & B Co.) also sidestepped another political issue that has dogged B & B for some time: Its observance of the Arab trade embargo of Israel.

This sentence sounds negative toward the foreign investor because of negative connotation of two words, "sidestepped" and "dogged".

#### Example E

- D - I

Their mission is to overcome possible political



objections to the America - B & B deal by critics who might argue that it involves the sale of a national resource to a foreign predator.

This sentence should be categorized as negative toward the case and the foreign investor because it mentions about possible political objections to the case and it includes a strongly negative word, "predator", to express the foreign investor.

Example F

- D - C

The U.S. arm of Saudi Arabian conglomerate B & B Co. agreed to acquire America Co., a diversified U.S. manufacturer, in a roughly \$1.8 billion takeover that heats up the already feverish Saudi Arabians buying spree of American corporation.

This sentence is negative toward the foreign investor's country of origin and the case. It implies that the Saudi Arabians have been buying a great amount of American assets and that this case may facilitate the trend (which may not be good for Americans) by using words, such as takeover, feverish, and spree, in this particular context. Thus, "- D - C" should be placed.

4. After going through an entire article following these rules above, the coder will decide how each object was portrayed in a whole article by considering the parts underlined and the criteria for categorization of articles.

Guidelines for coders also explained the procedure of coding. The first pretest was conducted according to the following instructions provided to coders.

#### Instructions

- [1] Read the articles as you normally read newspapers.
- [2] Follow the coding rules.
- [3] After reading an article, think about three objects; (a) the investor's country of origin, (b) the case of foreign direct investment, and (c) the foreign investor. If the article did not refer to an/some object(s) at all, leave the appropriate scale(s) in the coding sheet blank.
- [4] For the objects the article referred to, try to decide whether its portrayal toward an object was 1) positive, 2) somewhat positive, 3) neutral, 4) somewhat negative, and 5) negative according to criteria for categorization of articles in the guidelines.
- [5] Try not to make a judgment as to whether an article is positive or negative based on your opinion.

Negative articles are not the ones with which you disagree, and positive articles are not the ones with which you agree.

[6] If you decide which categorization is appropriate for each object, circle the number corresponding to the category you chose on the coding sheet.

On the first pretest, observed agreement between coders was 66 percent. Then, another brainstorming and training session was conducted to give coders clearer ideas about positive and negative expressions. After several times of training sessions, observed agreement between coders reached 80 percent. However, this percentage was not still high enough to have reliability in this content analysis. Thus, the number of categories was modified to three, positive, neutral, or negative, in calculating intercoder reliability although coders still used five categories in their coding sheet. In other words, somewhat positive articles were counted as positive, and somewhat negative articles were counted as negative in calculating intercoder reliability and results. Therefore, the following changes were made in the conceptual and operational definitions.

(1) Positive

The categorization of "positive" in both conceptual and operational definitions includes definitions of positive



and somewhat positive, which are stated earlier. Thus, if an article is not completely neutral but is inclined to be positive, it should be categorized as positive regardless of the degree.

## (2) Negative

The categorization of "Negative" in both conceptual and operational definitions includes definitions of negative and somewhat negative in both conceptual and operational definitions. Thus, if an article is not completely neutral but is inclined to be negative, it should be categorized as negative regardless of the degree.

Because of these changes, the result from this content analysis was gained by three-category scales instead of five-category scales. As a result, the final pretest scored 90 percent by observed agreement, and thus, intercoder reliability on the final pretest according to the formula was 85 percent.

Before intercoder reliability reached 85 percent on the final pretest, five pretests were conducted scoring between 66 percent and 80 percent (66 percent on the first pretest, 70 percent on the second, 80 percent on the third, 77 percent on the fourth, and 80 percent on the fifth). Two major reasons were considered as to why higher agreements between coders could not be obtained earlier. First,

individual judgement might have been involved in distinguishing the range of each category, especially between that of somewhat positive and positive, and between that of somewhat negative and negative. Although coders were provided with conceptual and operational definitions of each category, coding rules and examples, and instructions, each coder could have slightly different perceptions of words and expressions depending on his own experiences and backgrounds. Individual differences in distinguishing categories can be reduced by training but cannot be completely eliminated unless the material can be measured quantitatively.

Second, coders' practice of coding might not be enough before the first pretest. This content analysis is aimed at identifying the types of portrayals of cases of foreign direct investment. However, coders sometimes attempted to find out a writer's intention through an article and involved their subjectivity about the issue. In content analysis, which comprises conceptual variables, training for coders is extremely important. Although too many pretests might have been conducted between training sessions in order to achieve high intercoder reliability as quickly as possible, coders gradually learned how to pay attention only to the way each object was portrayed as they received more training session.

Considering the nature of this content analysis which

examines conceptual variables from a relatively large content unit, 85 percent of intercoder reliability is fairly high even though it was obtained after five pretests. Pretest bias is probably not a considerable problem in this content analysis because cases of foreign direct investment were chosen from many different cases with many different countries of origin. This was to prevent coders from forming preconceptions toward certain countries or certain cases.

## **CHAPTER 4.**

### **FINDINGS AND DISCUSSION**

#### **The Result of the Content Analysis**

One hundred nine articles about four cases of foreign direct investment were analyzed by two coders according to the procedure described in Chapter 3. For each article, coders made a decision about each of the three objects, (a) the case of foreign direct investment, (b) the foreign investor, and (c) the foreign investor's country of origin, for a total of three decisions per article.

The selected four cases were compared in terms of the number of positive, negative, and neutral articles toward each object and the percentage of each category relative to the total number of decisions made for each case. Results of the content analysis are presented in Table 10.

The number of articles analyzed for each case was 12 in the case of Britain, 22 in the case of Germany, 56 in the case of Japan, and 19 in the case of Hong Kong. To test the significance of the difference in the number of articles, chi square values were calculated in Table 11.

Table 10: Content Analysis Results, by Decision - Category in Numbers and Percentage, and By Case For the Four Countries of Study.

	Britain			Germany			Japan			Ho
	+	N	-	+	N	-	+	N	-	+
(a) Country	0	12	0	0	20	2	3	45	8	0
%	0	100	0	0	90.9	9.1	5.4	80.4	14.3	0
(b) Case	4	6	2	5	15	2	19	25	12	5
%	33.3	50.0	16.7	22.7	68.2	9.1	33.9	44.6	21.4	26.3
(c) Investor	2	10	0	1	20	1	9	44	3	2
%	16.7	83.3	0	4.5	90.9	4.5	16.1	78.6	5.4	10.5
Total	6	28	2	6	55	5	31	114	23	7
%	16.7	77.8	5.6	9.1	83.3	7.6	18.5	67.9	13.7	12.3

+ -- Positive                      - -- Negative                      N -- Neutral

% -- Percentage of each category relative to the total number of decisions made for each case.

Table 11: Chi Square Value of the Number of Articles

Case	British	German	Japanese	Hong Kong
fo	12	22	56	19
fe	27	27	27	27
fo - fe	-15	-5	29	-8
(fo - fe) <sup>2</sup>	225	25	841	64
(fo - fe) <sup>2</sup> / fe	8	1	31	2
Chi square value = 42				
fo -- frequency observed			fe -- frequency expected	
degree of freedom = 4-1 = 3			$\chi^2_{.01 (3)} = 11.34 < 42$	

Since the difference in the numbers is significant at  $p < .01$ , the null hypothesis (that the frequencies observed equals the frequencies expected) was rejected. This means that the Japanese case yielded significantly many more articles than expected and British case yielded less than expected. The number of articles issued about each case may indicate some attitudes of U.S. newspapers toward these four cases. This will be argued later in this paper.

## Discussion I

### Hypotheses Testing

The result has shown that portrayals of these four cases of direct investment by U.S. newspapers of study were mostly neutral and that positive and negative reactions were fairly balanced. Of 327 decisions made in total, 50 were positive (15.3 percent), 239 were neutral (73.1 percent), and 38 were negative (11.6 percent). Thus, neutral and non-neutral decisions were 73.1 percent and 26.9 percent respectively. This is partly because these four cases were intentionally chosen as cases which do not have an important cultural meaning to U.S. citizens. These cases are more-or-less value neutral, but they are still major cases in terms of the amount of capital involved. Judging from the results, it is most likely that most of the cases of foreign direct investment tend to be portrayed neutrally unless they have a special meaning to U.S. citizens. Now results about the hypotheses will be presented.

In testing hypotheses 1 and 2, the data was divided into two groups depending on the degree of a country's economic power and on the degree of a country's cultural distance. For testing hypothesis 1, the numbers of positive, neutral and negative articles about the German and the Japanese cases were summed in terms of three objects (a) the foreign investor's country of origin, (b) the case, and

(c) the foreign investor as data for an economically strong condition. In the same way, the number of articles about the British and the Hong Kong cases were counted together as data for an economically weak condition.

Chi-square values and probability-values (p-value) were computed by using Statgraphics, version 3.0, STSC, Inc., 1988 with the cooperation of the Department of Statistics and Probability. P-value or the significance probability is defined as the probability of obtaining sample value which "would be as large as the value actually observed, if the null hypothesis is true" (Wonnacott, T. H. & Wonnacott, R. J., 1977, p. 248). (The null hypothesis in testing hypotheses 1 is that there is no difference between economically strong and economically weak conditions). In this discussion, p-values are of main concern because they can reflect how significant the differences between economically strong and economically weak conditions are. In other words, p-values indicate how much the result was in the direction of the research hypothesis.

Testing hypothesis 2 entailed the same procedure. It utilized data from the Japanese and the Hong Kong cases for a culturally distant condition, and data from the British and the German cases for a culturally proximate condition. The null hypothesis in testing hypotheses 2 was that there is no difference between culturally distant and culturally proximate conditions.



## [Hypothesis 1]

1.a. High economic power tends to negatively influence portrayals of a foreign investor's country of origin in newspaper articles about foreign direct investment.

Table 12: Chi Square Test for Hypothesis 1.a

	+	N	-	
Economic Power Hi	3	65	10	78
Economic Power Lo	0	30	1	31
	3	95	11	109

Chi square value with 2 degree of freedom (df) = 3.67574

P-value = 0.159156

The p-value of 0.159156 is not small enough to be what is ordinarily called "statistically significant." In many disciplines of social science, the border of statistical significance in p-value is 0.05. However, the p-value 0.159 is small, and the distribution in Table 12 is in the direction of the economically strong condition having more negative articles on balance. The data support the research hypothesis although not to a degree that reaches statistical significance. This means that economic power may have negative influence on newspaper portrayals of the investor's

country of origin.

Because of the small cell frequencies and the inaccuracy of the chi-square approximation in such cases, a p-value based on Fisher's Exact test was calculated as a more accurate statistical indicator for testing hypothesis 1.a. Moreover, the one-sided test was used because it takes into account the portion of negative, neutral, and positive articles in the same row by listing all the cases which support the research hypothesis, by computing the probability of each, and by summing these probabilities. In other words, this test is not just vertical comparison in the contingency table, but it also takes into consideration horizontal comparison.

The calculation of this statistic was done by the Statistical Consulting Service in the Department of Statistics and Probability. The calculation of p-value using Fisher's exact test is complicated and there is no simple formula for it. The p-value using Fisher's exact test was 0.1219. This value is still not significant, but it indicates that the data gained from the content analysis is in the direction of research hypothesis. Therefore, it can be concluded that economic power may negatively influence newspaper portrayals of the investor's country of origin although its p-value is not statistically significant.

1.b. High economic power tends to negatively influence portrayals of a case of foreign direct investment in newspaper articles about foreign direct investment.

Table 13: Chi Square Test for Hypothesis 1.b

	+	N	-	
Economic Power Hi	24	40	14	78
Economic Power Lo	9	17	5	31
	33	57	19	109

Chi square value (2df) = 0.117909

P-value = 0.942750

There was no significant difference between economically strong and economically weak conditions. The p-value was too high to conclude for the research hypothesis. This means that economic power did not affect portrayals of the cases. (Moreover, the cases were portrayed more positively than negatively in both conditions). Thus, hypothesis 1.b was not supported.

1.c. High economic power tends to negatively influence portrayals of a foreign investor in newspaper articles about foreign direct investment.

Table 14: Chi Square Test for Hypothesis 1.c

	+	N	-	
Economic Power Hi	10	64	4	78
Economic Power Lo	4	23	4	31
	14	87	8	109

Chi square value (2df) = 1.99885

P-value = 0.368090

An economically strong condition and an economically weak condition did not show significant differences. The p-value is fairly high. The influence of economic power cannot be seen in terms of portrayals of the investors. Thus, hypothesis 1.c was not supported.

## [ Hypothesis 2 ]

2.a. Greater cultural distance tends to negatively influence portrayals of a foreign investor's country of origin in newspaper articles about foreign direct investment.

Table 15: Chi Square Test for Hypothesis 2.a

	+	N	-	
Cultural Distance Hi	3	63	9	75
Cultural Distance Lo	0	32	2	34
	3	95	11	109

Chi square value (2df) = 2.50237

P-value = 0.286166

The p-value was not small enough to conclude in the favor of the research hypothesis. However, the p-value of 0.286166 may not be large enough to reject the tendency of cultural distance completely. Thus, Fisher's Exact one-sided was computed in the same way performed in testing hypothesis 1.a. The result of the test was 0.2699. Although the chance of cultural distance's influencing newspaper portrayals negatively is not as high as that of economic power, the result may be in the direction of the research hypothesis. Therefore, cultural distance may have

slight negative influence on newspaper portrayals of the investor's country of origin.

2.b. Greater cultural distance tends to negatively influence portrayals of a case of foreign direct investment in newspaper articles about foreign direct investment.

Table 16: Chi Square Test for Hypothesis 2.b

	+	N	-	
Cultural Distance Hi	24	36	15	75
Cultural Distance Lo	9	21	4	34
	33	57	19	109

Chi square value (2df) = 1.99409

P-value = 0.368968

There was no significant differences between these conditions with a relatively high p-value. Thus, hypothesis 2.b was not supported.

2.c. Greater cultural distance tends to negatively influence portrayals of a foreign investor in newspaper articles about foreign direct investment.

Table 17: Chi Square Test for Hypothesis 2.c

	+	N	-	
Cultural Distance Hi	11	57	7	75
Cultural Distance Lo	3	30	1	34
	14	87	8	109

Chi square value (2df) = 2.36306

P-value = 0.306809

There were no significant differences between these two conditions. The p-value is more than 0.3. It is hard to conclude that the data is in the direction of the research hypothesis.

Hypothesis 3 tests the interactions between these two factors. Since it was found that the influence of economic power and cultural distance may be possible only on portrayals of the investor's country of origin through testing hypothesis 1 and 2, the possibility of interactions between two factors were tested only about the foreign

investors' countries of origin. The data were compared by each case not by the degree of economic power or cultural distance. Each case represents one of the four conditions as explained earlier: the British case -- Low economic power and low cultural distance; the German case --high economic power and low cultural distance; the Japanese case -- high economic power and high cultural distance; and the Hong Kong case -- low economic power and high cultural distance.

[ Hypothesis 3 ]

a. When economic power is high, cultural distance is a more important factor in influencing newspaper portrayals of a foreign investor's country of origin than when economic power is low.

The percentages of each category in each case are presented to help show the differences.



Table 18: Comparison of Percentages of Each Category in Each Condition

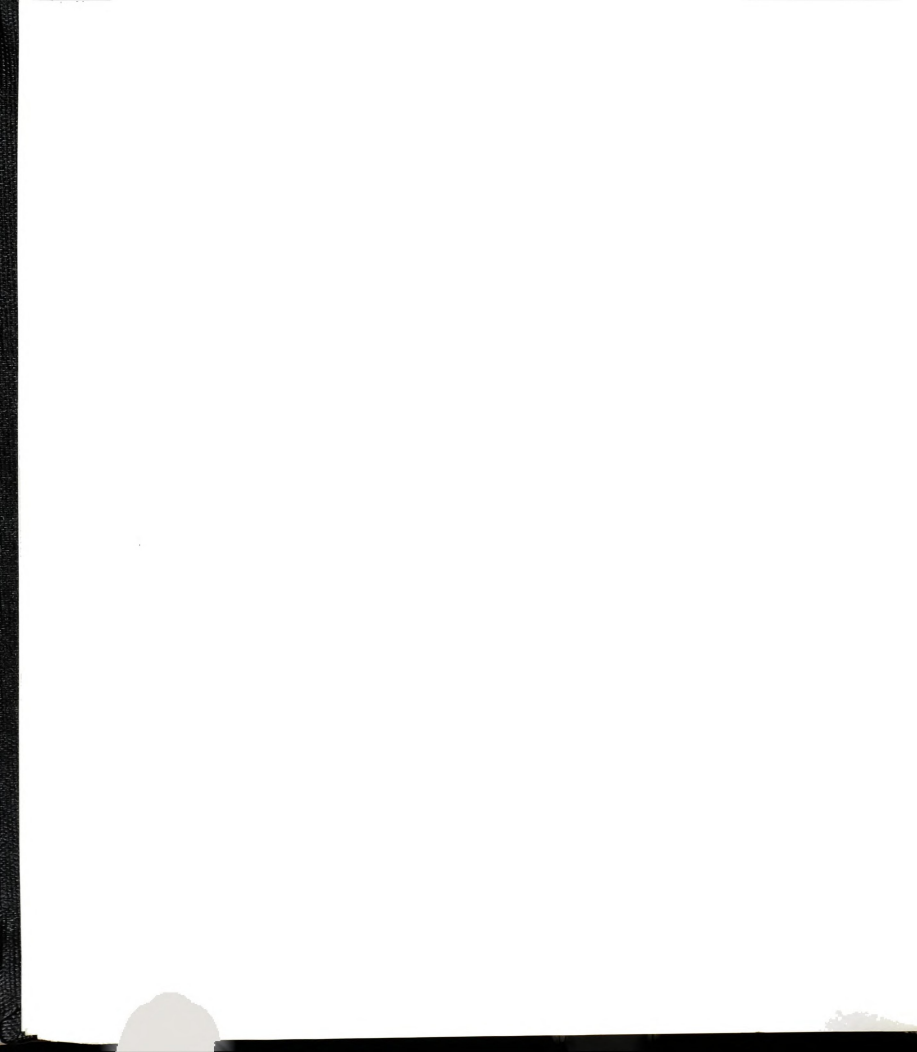
	+	N	-
Britain (Lo EP + Lo CD)	0	100	0
Germany (Hi EP + Lo CD)	0	90.9	9.1
Japan (Hi EP + Hi CD)	5.4	80.4	14.3
H. K. (Lo EP + Hi CD)	0	94.7	5.3

EP -- Economic Power

CD -- Cultural Distance

The Japanese case received the most negative portrayals as well as the most positive portrayals about the country than the other cases. The German case had the second most negative articles, and the Hong Kong case ranked the third with a few negative articles. The portrayals of the British case were completely neutral. These results, overall, correspond to the predicted outcomes for this study (See Table 3 in p. 52).

In order to make the function of cultural distance more distinct at the two different levels of economic power, the differences between economically strong conditions (the German and the Japanese cases) were compared to the differences between economically weak conditions (the British and the Hong Kong cases).



**Table 19: Comparison of the Function of Cultural Distance  
Between in Economically Strong and in Economically Weak  
Conditions**

[Economic Power Hi]

	+	N	-
Japan: CD Hi	5.4	80.4	14.3
Germany: CD Lo	0	90.9	9.1

[Economic Power Lo]

	+	N	-
H. K.: CD Hi	0	94.7	5.3
Britain: CD Lo	0	100	0

In order to test the interaction statistically, a one-sided z test was performed based on the proportions of negative articles. The estimated interaction was:

$$(\hat{P}_J - \hat{P}_G) - (\hat{P}_{HK} - \hat{P}_B) = (0.143 - 0.091) - (0.053 - 0.000) = -0.001$$

It has a standard error equal to the square root of

$$\begin{aligned} & \frac{\hat{P}_J(1-\hat{P}_J)}{N_J} + \frac{\hat{P}_G(1-\hat{P}_G)}{N_G} + \frac{\hat{P}_{HK}(1-\hat{P}_{HK})}{N_{HK}} + \frac{\hat{P}_B(1-\hat{P}_B)}{N_B} \\ &= \frac{(0.143)(0.857)}{56} + \frac{(0.091)(0.909)}{22} + \frac{(0.053)(0.947)}{19} + \frac{0(1)}{12} \\ &= 0.0217 \end{aligned}$$

Hence,  $z = -0.001 / \sqrt{0.0217} = -0.0068$

which has a p-value of .05, and is not statistically significant (Bhattacharyya, G. K. & Johnson, R. A., 1977).

This test compares the difference between the Japanese case and the German case with the difference between the Hong Kong case and the British case. If there were interactions of these two factors, the difference between the Japanese case and the German case should be significantly larger than the other. However, there was no significant difference between these two. Therefore, the interactions between economic power and cultural distance was not found.

## Discussion II

### Further Discussion of Hypotheses and Other Findings

These findings discussed through hypotheses testing are statistically valid within the mass media studied (the *Wall Street Journal*, *The New York Times*, the *Los Angeles Times*, and the *Chicago Tribune*) and the particular four cases selected. Because the researcher studied all of the articles published about the selected cases, the population is not a random sample. This limits the generality of this study to some extent. However, tendencies which were found in this study about the four selected cases may be likely to be the general tendencies of ordinary cases of foreign direct investment. With the recognition of these limitations of this study, further discussion of findings will be presented.

In terms of testing the effects of each factor, the results were in the direction of research hypothesis 1.a and slightly of hypothesis 2.a, but do not support hypotheses 1.b, 1.c, 2.b, and 2.c to the same degree. None of the hypothesis tests were statistically significant (with the sample size of 109, it is not easy to get statistical significance unless the data show an extreme tendency). Thus, economic power may have negative influence on newspaper portrayals of a foreign investor's country of origin, but not on the case of foreign direct investment nor

on its investor. Cultural distance may slightly influence newspaper portrayals of a foreign investor's country of origin negatively, but not necessarily of a particular case nor of its foreign investor. The results of Fisher's Exact one-sided also show that economic power is a more powerful factor than cultural distance in influencing the newspaper portrayals studied negatively.

It is more reasonable that these two factors can be influential in portrayals about a foreign investor's country of origin because economic power and cultural distance are attributes of the country, not of the investor or the case directly. The results show that portrayals about a case or an investor can vary depending on a particular case of foreign direct investment and a particular investor. Factors derived from a foreign investor's country, such as the image of a country, may affect portrayals about the case and the investor. However, the influence is probably not so strong unless the case, the investor, or the acquired U.S. company has a special meaning to U.S. citizens, and hence, to U.S. journalists.

Another indicator which could be important in this discussion is the number of articles issued about each case. (See Table 11, p. 86). The Japanese case yielded more than twice as many articles as the second highest number of articles about a case (Germany). Although the amount of capital involved in the British case was almost the same as

that of the Japanese and German cases, the British case yielded the least number of articles. For the Hong Kong case, there were 19 articles. However, considering that this case involved the least amount of capital (about a third of that as in the British case and a fourth of that as in the German case), and the fact that the case ended up with an equity increase, 19 articles is a lot for this particular case. In summary, the Japanese case attracted the most attention from U.S. journalists. The German and Hong Kong cases also attracted a lot of attention, and the British case attracted the least attention.

In terms of drawing attention from U.S. journalists, the percentage of neutral articles should also be counted as an indicator of journalistic tendencies.

**Table 20: The Percentages of Positive, Neutral, and Negative Articles in Economically Strong and Economically Weak Conditions.**

(a) About the foreign investor's country of origin

	+	N	-
Economic Power Hi	3.8	83.3	12.8
Economic Power Lo	0	96.8	3.2

(b) About the case of foreign direct investment

	+	N	-
Economic Power Hi	30.8	51.3	17.9
Economic Power Lo	29.0	54.8	16.1

(c) About the foreign investor

	+	N	-
Economic Power Hi	12.8	82.1	5.1
Economic Power Lo	12.9	74.2	12.9



Table 21: The Percentages of Positive, Neutral, and Negative Articles in Culturally Distant and Culturally Proximate Conditions.

(a) About the foreign investor's country of origin

	+	N	-
Cultural Distance Hi	4.0	84.0	12.0
Cultural Distance Lo	0	94.1	5.9

(b) About the case of foreign direct investment

	+	N	-
Cultural Distance Hi	32.0	48.0	20.0
Cultural Distance Lo	26.5	61.8	11.8

(c) About the foreign investor

	+	N	-
Cultural Distance Hi	14.7	76.0	9.3
Cultural Distance Lo	8.8	88.2	2.9

Throughout these four cases, the largest percentage of articles was neutral toward the country of origin of the foreign investor, but not toward the investor or the case. This is probably because journalists in general are particularly sensitive about portrayals of foreign countries

for political, social and other reasons. Toward the cases, on the other hand, articles most frequently indicated either positive or negative attitudes (not neutral). Noticeably, both the economically strong condition and the culturally distant condition always gained a less percentage of neutral articles than economically weak and culturally proximate conditions, except in Table 20, (c). This suggests that economic power and cultural distance may be able to draw the attention and induce U.S. journalists to have some type of attitudes toward the issue. However, they do not necessarily shape either positive or negative perceptions toward the case and the investor.

Testing hypotheses 3 showed that there was no combined effect of economic power and cultural distance in these four cases. Again, the four cases of foreign direct investment were intentionally chosen as cases which do not have cultural meaning to U.S. citizens. Thus, as can be seen in the results of testing hypotheses 1 and 2, cultural distance has shown only slight influence on newspaper portrayals. It may be difficult to examine the combined effect of these two factors through the selected cases because they have little cultural meaning to U.S. citizens.

### **Suggestions for Improvement**

Cases of foreign direct investment are generally varied depending on the type of investment, the type of industry, the process of investment, the particular companies or the people involved, and other factors. Among the many factors, there should be some which may be influential on many cases in common in terms of newspaper portrayals of these cases. Thus, cultural distance and economic power, which are relatively stable over time and pertinent to every case of foreign direct investment, were chosen and tested. However, four major weaknesses in this study can be pointed out.

First, the selected four cases of foreign direct investment may not be representative of all cases of foreign direct investment. Since they were chosen as major cases which are balanced in terms of (1) the amount of capital involved, and (2) not having cultural meaning to U.S. citizens, the results from this study are limited.

Second, as discussed earlier, the research design could not eliminate other possible factors, such as recent policy acts, political relations, economic situations in the U.S., conditions particular to the selected cases, and so forth. The results from this study imply tendencies in newspaper portrayals of foreign direct investment. Further research about other factors will be necessary in order to prove this conclusion theoretically.

Third, the selection of countries may not represent all the economically strong or weak countries, or all the culturally distant or proximate countries to the U.S. The results could be particular to the countries chosen.

Fourth, the use of only two levels of cultural distance and economic power may produce results which are too linear. Categorization into two levels ignores subtle differences which exist between countries.

The first and the third weaknesses of this study can be improved by having more cases of direct investment from more countries which suffice each condition of the four conditions (high economic power + high cultural distance, high economic power + low cultural distance, low economic power + high cultural distance, and low economic power + low cultural distance). More cases are strongly recommended for future research in order to achieve higher generality and validity.

In terms of the fourth weakness, a future design would benefit by having a quantitative limit in deciding economic strength or weakness, and to take into account differences among economically strong countries and differences among economically weak countries. This safeguard will not avoid linear categorization, but would provide a finer-grained selection and categorization criteria. On the other hand, it is very difficult to determine the degree of cultural distance. Since there is no quantitative measurement for

culture, Hall's (1976) distinction of cultures and demographic information about each country are still useful in distinguishing cultures, even if Hall's distinction is not based on the collection of quantitative data.

### CONCLUSION

Through content analysis, the following conclusions can be drawn about the selected four cases: (1) Newspaper articles about the four cases of foreign direct investment were mostly neutral, and this is probably the general tendency of portrayals about cases of foreign direct investment which do not center around cultural industries; (2) Economic power and cultural distance are important factors in drawing the attention of the U.S. newspapers studied to a case of foreign direct investment, but do not always shape either positive or negative perceptions toward a case or an investor; (3) Economic power may negatively influence only portrayals of a foreign investor's country of origin, and cultural distance may also slight negative influence on them; and (4) The combined effects of two factors, cultural distance and economic power, was not found in negatively influencing portrayals of a foreign investor's country of origin.

There are other factors which might have affected the

results of this study, including (1) special conditions or situations in a particular case, (2) political situations at that time, (3) economic situations in the U.S., and (4) the differences of industries. Ninic and Russett (1979) point out "recent policy acts by foreign countries" as a factor in shaping the public's attitude toward foreign countries. This type of factor is probably influential on the issue of foreign direct investment.

When considering these other factors, it might be dangerous to attribute all of the present results from this content analysis to cultural distance and economic power. However, among identified factors, cultural distance and economic power are more stable factors over time than most of the other factors. A country's culture is long-established, and economic power also tends to be fostered over a long period of time. These do not change in a month. Other factors, such as a political situation, could.

The two factors of study may shape stereotypes about foreign countries. As discussed in Chapter 1, a stereotype may enhance the formation of public opinion. Preconceptions derived from these two factors may always be in people's, and in journalists' minds, consciously or unconsciously. Uncertainty about a foreign country due to the cultural distance and a feeling of threat because of economic power can make people interested in certain cases of foreign direct investment. Indeed, the economically strong

condition and the culturally distant condition elicited smaller numbers of neutral articles. Therefore, they are factors which should not be neglected.

The factors of economic power and cultural distance tend to cause more articles to be written about cases of foreign direct investment. If more newspaper articles mention a certain case of foreign direct investment, the public is likely to assume that the case is more important than other cases which yield only a few articles, as agenda-setting theory suggests. Thus, these two factors may indirectly facilitate an increase in the importance of a certain case of foreign direct investment through the mass media.

It generally can be said that with more articles observed, there is a greater variety of content. This is probably one of the reasons why these two factors did not shape either positive or negative attitudes toward a case. In fact, the Japanese case, which yielded the largest number of articles, had both more positive and more negative articles overall, and had less neutral articles. Perry (1990) found that more exposure to news about a foreign country and enhanced knowledge about the country leads to more favorable attitudes toward that country. A perspective for the future is that more newspaper articles about a foreign country may gradually help shorten cultural distance between the U.S. and that foreign country. Thus, cultural

distance and economic power may aid to increase the importance of certain cases of foreign direct investment by attracting attention from U.S. journalists, and may reduce the cultural distance by providing more information about the foreign country.

Another important factor in this study was that the selected cases were not culturally special to U.S. citizens. This means that their cultural identity is not likely to be threatened in these selected cases of foreign direct investment. Cultural distance as a factor may be relatively weak in this study compared to economic power, which appears to be a more influential factor on this issue. If cases which had a culturally special meaning to U.S. citizens were chosen as samples for this study, the results may have shown the impact of cultural distance more clearly. It is very difficult, however, to balance the degree and the type of cultural meaning in cases of foreign direct investment in order to make a fair comparison.



## APPENDIX

## APPENDIX A

### Guideline for Coders

#### Content Analysis of Newspaper Articles About Foreign Direct Investment in The United States

##### Content Analysis

"Content Analysis is any technique for making inferences by objectively and systematically identifying specified characteristics of messages"(Holsti, 1969, p. 14). In other words, content analysis is a research technique used to identify needed characteristics of messages in a scientific manner. A scientific manner means that content analysis, as a research technique, requires "objectivity, system, and generality" so that the analysis can be replicable by other researchers. In scientific fields where quantitative measurement is often possible, it may be easier to achieve these three requirements. However, a verbal or written message is not as easy to measure precisely because human messages are not usually numerical and interpreting messages often involves subjectivity. Content analysis is a technique used to eliminate these problems in research of social science or humanities as much as possible and to achieve high credibility in interpreting messages. The term, content analysis, is often interchangeably used with the term "coding" and a person who actually content analyzes messages is called a "coder".

##### The Purpose of Content Analysis in This Study

Borrowing words from the definition of content analysis, the purpose of content analysis in this study is to make inferences as to what type of perception a newspaper article about foreign direct investment is likely to induce on its readers by identifying the types of portrayals; (1) positive, (2) somewhat positive, (3) neutral, (4) somewhat negative, and (5) negative, about three objects; (a) the investor's country of origin, (b) the case of foreign direct investment, and (c) the foreign investor. In short, this content analysis is meant to examine how the U.S. newspapers

portray the case of foreign direct investment, the foreign investor, and the investor's country of origin in their articles about the selected cases of foreign direct investment.

#### The Process of Content Analysis of Newspaper Articles About Foreign Direct Investment

##### 1. Familiarization (Training of Coders)

--Familiarize coders with a content unit, categories for types of portrayals, and criteria for categorization in this content analysis. In addition, examples of positive, somewhat positive, neutral, somewhat negative, and negative articles will be provided to the coders to reassure them how to categorize articles.

A Content Unit -- an article

##### Categories For Types of Portrayals and Their Definition

Positive -- Presenting or implying favorable attitudes toward an object through an article. Dominantly stating facts which may imply constructive or good thoughts and emotions about an object.

Somewhat Positive -- Presenting or implying favorable attitudes toward an object to some extent through an article. Moderately stating facts which may imply constructive or good thoughts and emotions about an object.

Neutral -- "Not supporting or assisting either side in a dispute or conflict" (The Oxford English Dictionary). Neither positive nor negative about an object.

Somewhat Negative -- Presenting or implying unfavorable attitudes toward an object to some extent through an article. Moderately stating facts which may imply destructive or faulty thoughts and emotions about an object.

Negative -- Presenting or implying unfavorable attitudes toward an object through an article. Dominantly stating facts

which may imply destructive or faulty thoughts and emotions about an object.

### Criteria For Categorization of Articles

**Positive --** An article which includes almost entirely positive quotations, comments, or facts about an object; an article which includes some negative quotations, comments, or facts about an object in order to retort against the negative idea and to make the impression of the object from the article positive; or an article which is mostly stated neutrally, but includes some strongly positive quotations, comments, or facts about an object, enough to make the impression of the object from the article positive.

**Somewhat Positive --** An article which includes both positive and negative quotations, comments, or facts about an object, but the impression of the object from the article is inclined to be positive; or an article which is mostly stated neutrally, but includes some relatively positive quotations, comments, or facts about an object, and thus, could hardly be categorized as neutral.

**Neutral --** An article which states facts without either positive or negative connotations about an object; or an article which includes both positive and negative quotations, comments, or facts about an object to the same extent and does not support either side.

**Somewhat Negative --** An article which includes both negative and positive quotations, comments, or facts about an object, but the impression of the object from the article is inclined to be negative; or an article which is mostly stated neutrally, but includes some relatively negative quotations, comments, or facts about an object, and thus, could hardly be categorized

as neutral.

Negative -- An article which includes almost entirely negative quotations, comments, or facts about an object; an article which includes some positive quotations, comments, or facts about an object in order to retort against the positive idea and to make the impression of the object from the article negative; or an article which is mostly stated neutrally, but includes some strongly negative quotations, comments, or facts about an object, enough to make the impression of the object from the article negative.

## 2. Pretest

-- 10 newspaper articles about foreign direct investment, which are not involved in this study, will be provided. Coders may begin content analyzing the articles on a provided sheet according to the following instructions.

### \*Instructions

- [1] Read the articles as you normally read newspapers.
- [2] Follow the coding rules.
- [3] After reading an article, think about three objects; (a) the investor's country of origin, (b) the case of foreign direct investment, and (c) the foreign investor. If the article did not refer to an/some object(s) at all, leave the appropriate scale(s) in the coding sheet blank.
- [4] For the objects the article referred to, try to decide whether its portrayal toward an object was 1) positive, 2) somewhat positive, 3) neutral, 4) somewhat negative, and 5) negative, according to the detailed rules of coding and criteria for categorization of articles.
- [5] Try not to make a judgment as to whether an article is positive or negative based on your opinion. Negative articles are not the ones with which you disagree, and positive articles are not the ones with which you agree.
- [6] If you decide which categorization is appropriate for each object, circle the number corresponding to the category you chose on the

## coding sheet.

## 3. Calculation of Intercooder Reliability

-- The results of the pretest by two coders will be utilized to calculate intercoder reliability in order to test objectivity and generality of coding. If intercoder reliability in the pretest is not high enough (.85), training of the coders will be continued. If intercoder reliability is high enough, coders may begin content analyzing the articles which are sample population in this study.

## 4. Content Analysis of the Sample Population

-- One coder content analyzes 54 articles, and another does 55 articles (109 articles in total) according to the instructions given in the pretest.

## Coding Rules

1. The coder will underline the word(s), the sentence(s), or the paragraph(s) which indicate(s) positive or negative connotations if there is any.
2. If the word(s), the sentence(s), or the paragraph(s) give(s) a positive or somewhat positive impression about the object (a) (the investor's country of origin), the coder will place "+ C" (Country), place "+ D" (Deal) about the object (b) (the case of foreign direct investment), and place "+ I" about the object (c) (the investor) at the beginning of the word(s), the sentence(s), or the paragraph(s).

## Example A

+ D

The acquisition of America Co.<sup>1</sup> fits perfectly with B & B<sup>2</sup>'s strategy of operating basic businesses which meet essential human needs.

This sentence is somewhat positive toward the case, and thus, "+ D" should be placed because it is talking about the compatibility of the two companies, which may lead America Co. to a better direction in the future due to the deal.

## Example B

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<sup>1</sup>. America Co. -- a U.S. company which was or will be acquired by a foreign investor.

<sup>2</sup>. B & B Co. -- a foreign investor.

+ D + I

Breathing New Life into America Co.  
B & B Co.'s \$1 billion renovation of America Co. world  
wide was discussed yesterday after the deal was made.

This paragraph should be categorized as positive toward the case and the foreign investor because it implies that America Co's operation has been in a bad shape, however, it is being restored due to the acquisition by B & B Co. Thus, it makes positive impression about both the case and the investor.

Example C

+ C

The Italians are producing needed capital and some  
technical expertise. They are increasing the global  
competitiveness of U.S. industry.

This paragraph is very positive toward the foreign investor's country because the paragraph talks about the foreign country's contributions to the U.S. economy.

3. If the word(s), the sentence(s), or the paragraph(s) give(s) a negative or somewhat negative impression about the object (1) (the investor's country of origin), the coder will place "- C", place "- D" about the object (2) (the case of foreign direct investment), and place "- I" about the object (3) (the investor) at the beginning of the word(s), the sentence(s), or the paragraph(s).

Example D

- I

Mr. B (the president of B & B Co.) also sidestepped  
another political issue that has dogged B & B for some  
time: Its observance of the Arab trade embargo of  
Israel.

This sentence sounds negative toward the foreign investor because of negative connotation of two words, "sidestepped" and "dogged".

Example E

- D - I

Their mission is to overcome possible political  
objections to the America - B & B deal by critics who

might argue that it involves the sale of a national resource to a foreign predator.

This sentence should be categorized as negative toward the case and the foreign investor because it mentions about possible political objections to the case and it includes a strongly negative word, "predator", to express the foreign investor.

Example F

- D - C

The U.S. arm of Saudi Arabian conglomerate B & B Co. agreed to acquire America Co, a diversified U.S. manufacturer, in a roughly \$1.8 billion takeover that heats up the already feverish Saudi Arabian buying spree of American corporations.

This sentence is negative toward the foreign investor's country of origin and the case. It implies that the Saudi Arabians have been buying a great amount of American assets and that this case may facilitate the trend (which may not be good for Americans) by using words, such as takeover, feverish, and spree, in this particular context. Thus, "- D - C" should be placed.

4. After going through an entire article following these rules above, the coder will decide how each object was portrayed in a whole article by considering the parts underlined and the criteria for categorization of articles.



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