Elite Attitudes Toward Multinational Firms: The Korean Experience

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Abstract

This paper reports the survey results of the recently changing attitudes of the government and business elite groups toward multinational firms in Korea and investigates the major individual attribute determinants of these attitude changes. The elite groups of the public and private sectors in Korea, such as government officials and business leaders, were shown to have favorable attitudes toward multinational firms, in general, for varying reasons. The estimation results based on the linear probability (OLS) model and the probit model showed that the most significant changes in attitudes toward multinational corporations in Korea are expected among the young business leaders working for small firms and the government officials at the low hierarchical level. This paper also discusses several policy implications of this study on the enhancement of the receptivity toward multinational firms and the host-country policies of foreign investment in Korea.

Introduction

Until recently, Korea has been known as one of the least attractive nations in all of East Asia for overseas investors. It was asserted that official attitudes in Korea were unfriendly, evident in the complex regulations designed to repel or restrict foreign investors. Foreign investors in Korea were reported to have complained that the nationalistic perspective of the Korean people was prevalent enough to let foreign firms pull out their investments substantially.¹

During the last several years, however, Korea's improved investment environment and aggressive FDI liberalization strategies have enabled Korea to attract a sharply increased influx of foreign investment. As Korea joined the OE-

CD in 1996, restrictions on business categories open to FDI were further liberalized. Since then, the manufacturing sector has been almost completely opened to foreign investors. Friendly M&As have been allowed since January 1997. FDI into Korea has shown a remarkable increase. FDI Inflows increased from \$6.97 billion in 1997 to \$8.85 billion in 1998, despite the Korean currency/ financial crisis. In 1999, inward foreign investment totaled \$15.5 billion, which is a 75.1 percent increase, compared to the previous year. The European Union (EU) invested \$6.26 billion in Korea, while the United States was second with \$3.75 billion, followed by Japan with \$1.75 billion. FDI inflows to Korea reached \$6.30 billion over the first six months of 2000, which is a 31 percent increase from the same period of the preceding year.

Several factors can be attributed to the re-

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cent remarkable growth of FDI by foreign investors in Korea. First, the Korean government, which recognized the importance of FDI and the presence of foreign firms in Korea as an effective vehicle of technology transfer and the complementary relationship with export activities, took initiatives in creating and maintaining favorable systems and environments to attract foreign investments. Among others, the government enacted the Foreign Investment Promotion Act in November 1998 to attract FDI and regain the confidence of foreign investors. The act allowed overseas companies to take over domestic firms via M&As, making foreign firms more visible in Korea.² In 1998, the Korea Investment Service Center (KISC) was also set up in the Korea Trade-Investment Promotion Agency (KOTRA) to provide one-stop service to foreign investors. The Korean government recently reaffirmed that it will continue to push efforts to improve the business climate for foreign investors.³

Second, the receptivity of foreign capital has increased greatly through *significant* changes in attitudes toward foreign investments and multinational corporations (MNCs) by the Korean people. However, there have also been various contradicting observations about these attitude changes. It has been reported that many foreign investors in Korea complained that the nationalistic perspective of the Korean people has changed *little*. A lack of cooperation and support from the Korean government was cited as a reason for US companies to decide against investing in Korea.⁴ Foreign investors were also concerned about a hostile public view of the products of the foreign investors. Korea now seems to be in a transition period from its old habits of blocking foreign investments to its recent attempts of enticing them. These recent changes in attitudes toward foreign investments and MNCs in Korea, which have been dramatic but perceived differently by different groups of people, provide a unique case to look into the major determinants of perceptions on foreign firms and the main contributing factors for

changing perceptions, if any, on foreign firms in one of the most dynamic newly industrializing countries (NICs). Since the seminal work on national attitudes toward MNCs done by Fayerweather (1982), to our surprise, little research has been done in this area, especially for identifying the major personal attribute determinants of attitudes toward foreign firms from a perspective of developing countries.

The purpose of this paper is to report the survey results of the recently changing attitudes of the government and business elite groups toward multinational firms in Korea and investigate the major individual attribute determinants of these attitude changes. Using the OLS model and the probit model, we investigate the major individual attributes determinants of perceptions by the two main elite groups on foreign firms using the recent survey data for Korea. Policy implications of this study on the enhancement of the receptivity toward multinational firms and the host-country policies of foreign investment in Korea are also discussed.

Elite Groups and Research Methodology

The elite groups in Korea which this study covers include two different groups: government officials from the government side and high-level decision makers in business firms from the private sector. These groups were chosen because of the roles they play in shaping the national attitudes and host-country policies toward the business activities by MNCs in Korea. The sample sizes and characteristics of each group are reported in Table 1.⁵

To maximize the response rates and obtain reliable data, we hired field survey coordinators for each group, with assistance from the Ministry of Commerce, Industry and Energy in Seoul, Korea, and conducted the stratified sampling for the group, distributed questionnaires, conducted interviews when necessary, and collected the responses. The survey was administered during 1998 and 1999. Although the response rates

Table 1.
Survey Data: Sample Sizes and Group Characteristics

	Government Officials*				Business Management				Total Samples
	Grade 3,4	Grade 5	Grade 6,7	Total	CE O	VP/Director	Manager	Total	
I. Sample size	17	40	40	97	24	33	54	111	208
II. Gender									
Male	17	39	38	94	24	33	54	111	205
Female	0	1	2	3	0	0	0	0	3
III. Age									
29 or younger	0	5	1	6	0	1	0	1	7
30 - 39	2	14	23	39	5	0	3	8	47
40 - 49	14	15	16	45	8	7	39	54	99
50 or older	1	6	0	7	11	25	12	48	55
IV. Schooling									
Graduate school or higher	12	14	4	30	2	5	10	17	47
College	6	20	32	58	16	26	37	79	137
High school or lower	0	6	3	9	6	2	7	15	24
V. Overseas job training / education									
Yes	13	7	3	23	2	18	21	41	64
No	4	33	37	74	22	15	33	70	144
VI. Overseas experience									
No experience	0	3	9	12	4	1	3	8	20
1 - 3 trips	2	20	27	49	6	2	11	19	68
4 - 10 trips	5	14	4	23	10	9	8	27	50
11 trips or more	10	3	0	13	4	21	32	57	70
VII. Job characteristics									
Int'l related	10	24	18	52	6	21	25	52	104
Domestic affairs	7	16	22	45	18	12	29	59	103
VIII. Government type									
National	2	26	28	56					56
Local	15	14	12	41					41
IX. The size of firm									
Large					2	26	41	69	69
Medium/small					22	7	13	42	42

Notes: * Grades 3 and 4 of government officials are the levels of director or higher, grade 5 is the level of assistant director, and grades 6 and 7 are the levels of department manager or section manager. For more detailed information on group characteristics, see the discussion on each group in the text.

varied from each group, the average rate was higher than 80 percent. A total of 208 people, 97 government officials and 111 business leaders with different levels of job hierarchy and responsibility, responded and returned their completed questionnaires. The questionnaire contained a total of fifteen questions to elicit attitudes toward foreign firms in Korea, in general, and to indicate and rank the positive and negative, if any, impacts of foreign firms on the economy, finance, management control, culture, and politics. The survey form also contained a series of questions asking various personal attributes of the respondents, such as gender, age, education, job responsibilities, the hierarchical level of job, the size of firm, the nature of job (international affairs or domestic affairs), and the location of job. Several questions were also asked to get information on the overseas experience of the respondent.

Survey Results and Econometric Analysis

Overall attitudes toward multinational firms

To examine the overall attitude toward multinational firms, we asked a series of questions. The summary results of the responses from government officials and business leaders to a question on the overall evaluations of multinational firms in Korea are reported in Table 2. The respondents were asked to respond to the question, "How do you evaluate the overall impact of multinational firms in Korea on the Korean economy?" on a one (strongly negative) to five (strongly positive) scale. Both government officials and business leaders presented a favorable appraisal of multinational firms in Korea with average scales of response of 4.02 and 4.01, respectively. 90.7 percent of government officials and 86.5 percent of business management gave favorable responses, which are much higher than the similar numbers reported for other countries.⁶

These patterns of responses by different elite groups were reflected similarly in the re-

sponses to another question, "Do you think that a foreign firm in Korea established and invested by foreign investors, for example, IBM Korea, should be treated indifferently from a Korean firm in government regulations, support, benefits and, at the same time, responsibility?" Government officials provided a more favorable assessment of multinational firms with a 72.2 percent response rate of 'yes' than business leaders who showed a positive response rate of 62.2 percent.

To identify more specific reasons for the diversity of attitudes toward multinational firms by the Korean elite groups, the survey asked the respondents to rank a wide variety of positive roles as well as negative, if any, roles of multinational firms in Korea regarding economics, politics, management control, social issues and culture. The summary report on the survey questions and responses by each group is shown in Table 3. Both Korean elite groups responded that the attraction of foreign capital from abroad is the most important positive role of foreign firms in Korea. The creation of employment opportunities and technology transfer had the next highest ranking, followed by the improvement of competitiveness and efficiency of Korean firms, the globalization of domestic economic systems, and the improvement of the balance of trade. All the respondents, government officials and businessmen alike, seemed to be somewhat skeptical to the notion that MNCs in Korea could help to reduce the hostility from North Korea toward South Korea.⁷

We also asked the participants to rank the negative aspects of foreign firms in Korea. Government officials and business leaders indicated that the MNCs' pursuit of management strategies for the interests of the home country rather than the Korean interests was the most serious concern to them. The Korean elite groups also showed a serious concern for the drainage of wealth and profit to home countries, and the possibility of the subordination of the Korean economy through MNCs' establishing monopoly and taking over the management of domestic firms.

Table 2.
Elite Groups' Assessment on the Impact of Multinational Firms on the Korean Economy

Ranking Scale	Government Officials	Business Management	Total
1 (strongly negative)	1 (1.0%)	1 (0.9%)	2 (1.0%)
2 (negative)	6 (6.2%)	7 (6.3%)	13 (6.3%)
3 (neutral)	2 (2.1%)	7 (6.3%)	9 (4.3%)
4 (positive)	69 (71.1%)	71 (64.0%)	140 (67.3%)
5 (strongly positive)	19 (19.6%)	25 (22.5%)	44 (21.2%)
<i>Average scale of responses</i>	4.02	4.01	4.01
<i>Total observations</i>	97	111	208

Note: The summary results reported in this table are based on the frequency of responses to the survey question: "How do you evaluate the overall impact of multinational firms in Korea on the Korean economy?" The numbers in parentheses denote the ratios of the frequency of each response to the above question to the total number of responses obtained from each group and total population as a whole.

Overall, the Korean elite seems to have confidence on the behavior of multinational firms regarding the withdrawal of their investments during a period of economic crisis or confrontation with North Korea.

One of the limitations of this overall attitude study is that we cannot tell exactly what the main driving factors contributing to the differences in attitudes toward multinational firms by different elite groups are. More formal empirical tests controlling for the effects of demographic differences will be conducted to identify specific underlying forces which have contributed to the formation of the different receptivity of multinational firms by the Korean elite.

The individual attribute determinants of attitudes toward multinational firms

In order to identify the major determinants of each of the two elite groups' attitudes toward foreign firms in Korea, a multiple regression analysis was conducted. The regression form of

the model is:

$$Y_{ij} = \alpha_j + \beta_j X_{ij} + \varepsilon_{ij}$$

$$X_{i1} = [\text{Constant}, \text{AGE}, \text{GNDR}, \text{SCHL}, \text{JBLV}, \text{DUMJOB}, \text{EXPR}, \text{DUMTRNG}, \text{DUMGOVT}],$$

$$X_{i2} = [\text{Constant}, \text{AGE}, \text{SCHL}, \text{JBLV}, \text{DUMJOB}, \text{EXPR}, \text{DUMTRNG}, \text{DUMSIZE}], \text{ and}$$

$$X_{i3} = [\text{Constant}, \text{AGE}, \text{GNDR}, \text{SCHL}, \text{JBLV}, \text{DUMJOB}, \text{EXPR}, \text{DUMTRNG}, \text{DUMBSMT}],$$

where the dependent variable, Y_{ij} , is a binary choice variable of 1 or 0 for a respondent i in a group j : 1 = if the respondent answers yes to the question, "Do you think that a foreign firm in Korea established and invested by foreign investors, for example, IBM Korea, should be treated *indifferently* from a Korean firm in government regulations, support, benefits and, at the same time, responsibility?" and 0 = otherwise. The value of the group identification goes from 1 to 3: 1 is for government officials, 2 for the busi-

Table 3.
Elite Groups' Evaluation of the Positive and Negative Roles of Multinational Firms in Korea

Positive/Negative Roles	Government Officials	Business Management	Total
I. Koreans' Perception of the Positive Roles of Foreign Firms in Korea			
<i>Q: What do you think are the positive roles of foreign firms doing business in Korea? [Please rank the following seven points in the order of importance to you: 1 (the most important) through 7 (the least important)]</i>			
1. To attract foreign capital from abroad	2.51 (1.39)	2.62 (1.51)	2.57 (1.46)
2. To improve the competitiveness and efficiency of Korean firms	3.53 (1.75)	3.62 (1.97)	3.58 (1.86)
3. To obtain advanced technology from abroad	3.32 (1.69)	3.21 (1.61)	3.26 (1.65)
4. To create employment opportunities	3.04 (1.54)	2.95 (1.72)	3.01 (1.63)
5. To reduce the hostility from North Korea toward South Korea	6.77 (8.26)	6.80 (11.6)	6.79 (9.70)
6. To increase exports and improve the balance of trade	5.24 (3.30)	5.30 (3.66)	5.28 (3.50)
7. To upgrade and globalize the domestic economic system and business customs	4.79 (2.74)	4.81 (2.67)	4.80 (2.71)
II. Koreans' Perception of the Negative Aspects of Foreign Firms in Korea			
<i>Q: What do you think are the negative aspects of foreign firms doing business in Korea? [Please rank the following seven points in the order of importance to you: 1 (the most important) through 7 (the least important)]</i>			
1. Less contribution on technology advancement than domestic firms	6.23 (2.89)	5.37 (2.25)	5.76 (2.48)
2. Possibility of pulling out investments during economic crisis or confrontation with North Korea	6.40 (3.08)	6.30 (2.73)	6.34 (2.87)
3. Unwilling to cooperate with Korean government and policies	5.71 (2.49)	5.21 (2.34)	5.44 (2.40)
4. Drainage of wealth and profit to home countries and abroad	3.09 (1.28)	3.22 (1.48)	3.16 (1.39)
5. Subordination of the Korean economy through monopoly and taking over management	3.41 (1.52)	3.84 (1.58)	3.64 (1.55)
6. Influencing Korean trade policies with the aid of its home country	4.75 (2.07)	5.24 (2.50)	5.02 (2.28)
7. Bad influence on culture due to the indiscreet influx of foreign cultures	6.52 (3.15)	6.21 (3.01)	6.35 (3.07)
8. Pursuing management strategies for the interest of the home country rather than Korean interests	2.71 (1.43)	2.97 (1.39)	2.85 (1.40)
<i>Total observations</i>	97	111	208

Note: The numbers in parentheses denote the t-statistics. The critical values of the t-statistics for the 5 percent and 10 percent significance levels are 1.64 and 1.28, respectively.

ness management, and 3 for the combined group of the two. A vector of X_{ij} consists the set of explanatory variables describing the personal attributes of an individual i in the group j .⁸ Out of the information which was received and coded on a variety of personal attributes of each respondent, we selected the following set of the explanatory variables: Age [AGE], gender [GNDR], schooling [SCHL], job hierarchical level [JBLV], the nature of job responsibility (international vs. domestic affairs) [DUMJOB], short-term overseas travel experience [EXPR], long-term overseas training experience [DUMTRNG], the type of governments which government officials work for (national vs. local) [DUMGOVT], and the size of firms which business leaders work for [DUMSIZE]. The explanatory variables whose identification starts with DUM all entered the model as dummy variables. The estimation for the combined group also includes a group dummy variable [DUMBSMT] in the explanatory variable set to investigate if there are any differences between government officials and business leaders in determining attitudes toward multinational firms in Korea. ϵ_j is an independently distributed random error variable with 0 mean.

To find a relationship between a set of attributes describing an individual in each group and the probability that the individual will have a favorable attitude toward multinational firms, we estimated the linear probability (OLS) model and the probit model. The former model, which was estimated using the ordinary least square method, can be interpreted as describing the change in the probability of having a positive view on foreign firms associated with a unit change in the individual's personal attributes. The latter probit model, which was estimated using the non-linear maximum likelihood estimation method, measures the impact of explanatory variables on the probability of an individual choosing from a pair of discrete outcomes (such as whether to have a positive attitude or not) and is useful for the purpose of predicting the probability of showing a favorable attitude toward

multinational firms by an individual with a given set of personal attributes.⁹

Table 4 reports the estimation results. First of all, each of the two elite groups in Korea seems to have somewhat varying determinants of attitudes toward foreign firms. Gender, job hierarchy level and overseas experience are positively correlated with the attitudes of government officials. For the business management, including CEOs, board directors, and presidents of companies, age is negatively correlated, while overseas experience is positively correlated with the attitudes toward foreign firms. The full sample estimation with a marginally significant group dummy variable for business leaders (with government officials implicit) implies that, after controlling diverse individual attributes of each group, the two elite groups might have different attitudes toward foreign firms. The statistically significant group dummy variables enable us to reject the null hypothesis that the appraisals of foreign firms are the same across the different groups. In particular, the negative sign of the dummy variables estimated using the probit model, is consistent with the findings of our overall attitude study of attitudes toward foreign firms, in that government officials were more favorable toward multinational firms than business leaders.

Our model suggests that individual attributes are important influences, with varying degrees for different elite groups, on attitudes toward multinational firms in Korea. The estimation results confirm that more overseas experience positively affects attitudes toward multinational firms for both elite groups. Overall, a more educated person is expected to have a more favorable attitude toward foreign firms, statistically not significant notwithstanding. Age is shown to be negatively correlated with the favorable assessment of foreign firms, especially for business management. Higher-ranking policy makers, especially government officials with statistical significance have more positive attitudes toward multinational firms than people with

Table 4.
The Determinants of the Korean Elite Attitudes Toward Multinational Firms in Korea:
Estimation of the Linear Probability (OLS) Model and the Probit Model

Explanatory Variables	Government Officials		Business Management		Full Sample: All Groups	
	OLS	Probit	OLS	Probit	OLS	Probit
Constant	-0.22 (0.42)	-5.25 (45.3)	0.91** (0.34)	1.13 (7.09)	0.08 (0.20)	-2.05 (0.76)
Age [AGE]	-0.05 (0.08)	-0.15 (0.23)	-0.20** (0.05)	-0.58** (0.19)	-0.13** (0.04)	-0.36** (0.14)
Gender [GNDR]	0.70** (0.12)	5.10 (45.2)			0.82** (0.08)	3.18** (0.16)
Schooling [SCHL]	0.06 (0.09)	0.21 (0.31)	0.06 (0.08)	0.19 (0.27)	0.03 (0.06)	0.19 (0.20)
Job hierarchy level [JBLV]	0.13 (0.09)	0.45+ (0.27)	0.01 (0.07)	0.02 (0.20)	-0.01 (0.04)	-0.12 (0.14)
Job nature [DUMJOB]	0.04 (0.09)	0.16 (0.32)	0.01 (0.11)	0.01 (0.30)	-0.01 (0.07)	0.03 (0.22)
Overseas experience [EXPR]	0.10+ (0.06)	0.34+ (0.20)	0.13* (0.06)	0.38* (0.18)	0.10* (0.04)	0.33* (0.13)
Training [DUMTRNG]	0.01 (0.12)	0.04 (0.46)	0.06 (0.10)	0.17 (0.31)	0.04 (0.08)	0.11 (0.25)
The type of government [DUMGOVT]	-0.10 (0.10)	-0.43 (0.43)				
The size of firm [DUMSIZE]			-0.10 (0.13)	-0.32 (0.41)		
Group dummy [DUMBSMT]					-0.10 (0.08)	-0.45+ (0.26)
Number of observations	97	97	111	111	208	674
Log likelihood		-53.39		-64.6		-116.16
Prediction ratio		71.1%		69.4%		73.6%
R-square	0.15		0.15		0.14	

Note: + Significant at 0.10 level, * Significant at 0.05 level, ** Significant at 0.01 level. Numbers in parentheses are standard errors, which were computed using the consistent covariance matrices allowing for heteroskedasticity. The prediction ratio is the percentage of cases predicted correctly by the regression estimation. Coefficients obtained from the ordinary least squares (OLS) and probit models estimate the individual attribute determinants of attitudes toward incoming multinational firms by the government and business elite groups in Korea. (Acceptance: Accept and treat multinational firms equally as domestic firms = 1, Non-acceptance, Do not accept and/or treat them differently from domestic firms = 0).

Data source: Authors' data from the Korea's Attitudes Toward Foreign Investment Survey, 1998-1999, conducted with government officials (97) and decision-makers in the business sector (111, CEOs, VPs, Directors, and managers), totaling 208 survey respondents. For more detailed descriptions of the characteristics of each group, see Table 1.

lower job hierarchy levels.

Overall, a person who is in charge of international affairs rather than domestic affairs and has experience in attending long-term training programs overseas is expected to possess a more favorable appraisal of foreign firms. The estimation results regarding these attributes, however, were not able to produce statistically significant coefficients, although we could get the expected signs, in general.

The individual attribute determinants of changes in attitudes toward multinational firms

We also conducted the empirical tests to identify the major contributing factors to the changes in Koreans' attitudes toward multinational firms in Korea. The dependent variable is a binary choice variable of 1 and 0: the value of one when a respondent admitted that he/she changed their assessment of multinational firms from negative in the past to positive at the present time, and the value of zero otherwise. Forty one government officials out of 97 and fifty business leaders out of 111 admitted their significant changes in the direction of a more favorable attitude toward multinational firms. The results of the sub-group sample estimations of the linear probability (OLS) model and the probit model are reported in Table 5.

We can report some interesting findings. First of all, more government officials with low job hierarchical levels appear to have changed their attitudes toward the positive side than those with high hierarchical levels. The younger business leader working for a smaller firm was shown to have changed his/her attitudes toward foreign firms most conspicuously. Age was a major contributing factor to the attitude changes - the younger, the more positive changes - by business leaders. To our surprise, business leaders working for small and medium size firms seem to be more ready to change their attitudes favorably than those working for large firms, like *chaebols*. Overseas (short-term) experience

and familiarity with foreign affairs seems to have been helpful to change the attitudes more favorably for both groups. The statistically insignificant coefficients of the group dummy variable implies that both elite groups, government officials and business leaders alike, seem to have similar patterns of shifting attitudes toward multinational firms in Korea.

Conclusion and Policy Implications

The purpose of this paper is to investigate the major individual attribute determinants of attitudes and changes in attitudes of elite groups toward multinational firms in Korea. Using the recent survey, we found that government officials and business leaders were generally favorable toward multinational firms. The estimation results based on the linear probability (OLS) model and the probit model showed that gender (male), job hierarchical level, education, and overseas experience were positively correlated with attitudes toward foreign firms, while age and the size of firm were negatively correlated. Overall, our study suggests that individual attributes, among others, are important influences, on forming attitudes toward foreign firms by the Korean elite groups.

Several policy implications can be drawn from this study. First, elite groups in Korea, such as government officials and the business management, who were shown to have the most favorable attitudes toward foreign firms, are expected to play a leading role continuously in nurturing a more favorable environment for foreign investors. Progressively positive appraisals on foreign firms by government officials are especially worth noting. More than 90 percent of the government officials who participated in this study assessed the impact of foreign firms on the Korean economy to the positive side. More than 70 percent of surveyed government officials thought that a foreign firm in Korea should be treated indifferently from a domestic firm. Interestingly, more than 80 percent of the remaining unfavorable government officials admitted

Table 5.
The Individual Attributes Which Contributed to the Changes in the Korean Elite Attitudes
Toward Multinational Firms: Estimation of the OLS Model and the Probit Model

Explanatory Variables	Government Officials		Business Management		Full Sample: All Groups	
	OLS	Probit	OLS	Probit	OLS	Probit
Constant	-0.04 (0.42)	-4.20 (44.8)	0.99** (0.33)	1.33 (1.08)	0.28 (0.23)	-2.32 (1.75)
Age	0.06 (0.07)	0.13 (0.22)	-0.17** (0.05)	-0.47** (0.19)	-0.09* (0.04)	-0.37** (0.13)
Gender	0.46** (0.13)	4.48 (4.47)			0.59** (0.09)	3.35* (1.65)
[GNDR]						
Schooling	-0.05 (0.10)	-0.12 (0.28)	0.02 (0.09)	0.05 (0.26)	-0.06 (0.06)	0.12 (0.19)
[SCHL]						
Job hierarchy level	-0.21** (0.09)	-0.40+ (0.25)	-0.02 (0.07)	-0.07 (0.20)	-0.02 (0.05)	-0.03 (0.13)
[JBLV]						
Job nature	-0.05 (0.11)	-0.01 (0.29)	0.04 (0.10)	0.10 (0.30)	-0.06 (0.08)	-0.31 (0.25)
[DUMJOB]						
Overseas experience	0.12+ (0.06)	0.06 (0.23)	0.10* (0.05)	0.32+ (0.18)	0.07+ (0.04)	0.28* (0.13)
[EXPR]						
Training	0.07 (0.15)	0.35 (0.41)	-0.04 (0.11)	-0.10 (0.30)	-0.04 (0.09)	0.11 (0.25)
[DUMTRNG]						
The type of government	0.02 (0.14)	-0.09 (0.36)				
[DUMGOVT]						
The size of firm			-0.30* (0.13)	-0.84* (0.40)		
[DUMSIZE]						
Group dummy					0.01 (0.09)	-0.31 (0.25)
[DUMBSMT]						
Number of observations	97	97	111	111	208	208
Log likelihood		-62.6		-68.5		-117.68
The ratio of the number of correctly predicted cases		59/97		70/111		154/208
Prediction ratio		60.8%		63.5%		74.0%
R-square	0.09		0.13		0.04	

+ Significant at 0.10 level, * Significant at 0.05 level, ** Significant at 0.01 level.

Note: The dependent variable is a binary choice value of 1 or 0: 1 = if a respondent has changed his/her attitudes toward multinational firms from a unfavorable one in the past to a favorable one at present, 0 = otherwise. The numbers in parentheses are standard errors (adjusted to be heteroskedasticity-consistent for OLS). The prediction ratio is the percentage of the cases predicted correctly by the regression estimation.

that they would change their attitudes in the direction of equal treatment in the future. Although the development paradigm of the Korean economy has been gradually transformed from a government-led industrialization to a private sector-led market liberalization, government officials, along with business leaders, are expected to continue to take initiatives in providing, not blocking, a more attractive environment for foreign investments.

Second, it appears that one of the most common individual attributes in determining the attitudes across different population groups in Korea is overseas experience, while other specific attributes help to determine the attitudes of particular groups as discussed earlier. Since Korea has been in the process of learning the benefits and costs of market liberalization and globalization, acquiring better knowledge of and familiarity with global business environments through accumulating short-term overseas experience seems to be one of the key factors to enhance Korea's receptivity of foreign firms on Korean soil.

Third, our linear probability and probit models also reveals that the most significant changes in attitudes toward multinational firms in Korea are expected among young business leaders working for small firms and government officials at the low hierarchical level. It appears that young age and small firms have advantages of greater flexibility and adaptability to attitude changes in the positive direction. Although higher-level government officials were shown to have more favorable attitudes, lower-level government officials with some overseas experience seem to be more ready to change their attitudes toward foreign firms from negative to positive. A more active role in enhancing Koreans' positive attitudes toward foreign firms is expected from a group of business leaders who run smaller firms, like venture e-commerce businesses, than those who own or run large industrial conglomerates, like *chaebols*, in Korea.

Suggestions for Future Research

This study can be extended in various directions: further study of the industry-specific determinants of the attitudes (for example, manufacturing sector vs. service sector), more detailed study of specific demographic attributes and their interactions in forming national attitudes, and comparative study of different countries with close vs. remote cultural distances. Further research in sorting out the influence of personal characteristics on attitudes toward foreign firms among a complex variety of factors was called for earlier. For example, Fayerweather (1982) stated earlier, "... there would seem to be logic in the indication that attitudes [toward foreign firms] are most heavily influenced by broad considerations and direct personal experience ... the exploration for explanatory variables with reference to the diversity of attitude [is] still very much of an open field for future research ..." (p. 35). This statement still applies today because not much research on identifying the major individual attribute determinants of changes in attitudes toward multinational firms has been done yet, especially from a perspective of newly industrial countries, such as Korea.

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Appendix

End Notes

Age [AGE] is measured by the following scale: a value of 1 if a respondent is 20 years old or younger, 2 for aged 20-29, 3 for aged 30-39, 4 for aged 40-49, 5 for aged 50-59, and 6 for 60 years old or higher. Schooling [SCHL] is measured: a value of 1 if the final level of schooling of a respondent is middle school or lower, 2 for a high school graduate, 3 for a college graduate, and 4 for a graduate school graduate or higher. The gender dummy [GNDR] has a value of 1 for male and 0 for female. The job hierarchical level [JBLV] is measured: a value of 1 for the government employee position grade 6 & 7 (managers), 2 for the position grade 5 (assistant or deputy directors), and 3 for the position grade 3 & 4 (directors) for government officials; a value of 1 for managers, 2 for VPs and directors, and 3 for presidents or CEOs for business leaders.

The overseas trip experience [EXPR] is measured: a value of 0 when a respondent has no experience, 1 for 1 to 3 trips, 2 for 4 to 10 trips, and 3 for 11 or more trips. The overseas long-term training dummy [DUMTRNG] has a value of 1 when a respondent has received overseas training/education for a period of one month or longer, and 0 otherwise. The nature-of-job dummy [DUMJOB] has a value of 1 if a respondent is responsible for mainly international affairs, and 0 for mainly domestic affairs. The type-of-government dummy [DUMGOVT] has a value of 1 if a responding government official works for the national government, and 0 if s/he works for the local government. The size-of-firm dummy [DUMSIZE] has a value of 1 when a responding business leader works for a large company, based on the classification by the Korean government, such as *chaebols*, and 0 otherwise. The group dummy [DUMBSMT] has a value of 1 for the group of business leaders, and 0 for the group of government officials (designated as the base group), in the regression estimation for the combined group. □

1. For example, *The Wall Street Journal* (February 25, 1994) reported that in 1992, 220 foreign firms withdrew investments worth \$369 million, with 52 leaving South Korea outright, blaming Korea's mercantilistic atmosphere.
2. For a review of the history of foreign capital inflow into Korea and the evolution of the Korean government policy on inducing foreign capital, see Jeon (2000). And for the theoretical rationales and roles of FDI on the economic development in Korea, see Ahn (1986).
3. See the March 22, 2000, issue of *The Korea Herald*, "Seoul Vows Efforts to Improve Business Climate for Foreigners."
4. For example, *The Wall Street Journal* (February 17, 1998) reported that Dow Corning Corp. of the U.S. decided against investing billions of dollars to build a plant in southwestern Korea for this reason.
5. The composition of each group reflects, in general, the reality of contemporary Korean society: male-dominated, seniority-based hierarchy, and a highly education-motivated culture. For example, job opportunities for women, especially for higher level positions in government officials and business management, are still relatively limited. Accordingly, maintaining the similarity in individual attributes across different groups when sampling is conducted is not only impossible, but also unrealistic. Controlling the different individual attributes across the groups will be done appropriately by applying the linear probability (OLS) model and the probit model in estimation.
6. Using the similar questions in their surveys, several authors reported the percentage of the respondents who had positive attitudes toward foreign firms or investments in a variety of countries: between 57 percent 78 percent for legisla-

- tors, government officials, and businessmen in the United States (Fayerweather), 62 percent of legislators and 94 percent of civil servants in U.K. (Graham), 26 percent of legislators and 30 percent of civil servants for France (Graham), 65 percent of respondents in Nigeria (Hilton), 78 percent and 69 percent of government, business, and academic elites in Chile and Venezuela, respectively (Truitt and Blake). All were reported in Fayerweather (1982).
7. This finding does not support a general notion that the relatively favorable view of MNCs in South Korea may be attributed to the general national animosities and frustrations toward North Korea. See, for example, Truitt and Blake (1982).
 8. Our investigation of the correlation matrix and the F-tests using the partial correlation coefficients did not show the presence of multicollinearity.
 9. Since the probit model transforms the original OLS model in such a way that predictions will lie in the (0, 1) interval for all X_{ij} , which generally leads to coefficients of an arbitrary scale, the two models can give substantially different results. An upper bound of R^2 as a measure of goodness of fit in the linear probability model is also likely to be less than 1.
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