ORGANIZED LABOR'S IMAGES
OF MULTINATIONAL ENTERPRISE:
DIVERGENT FOREIGN INVESTMENT
IDEOLOGIES IN ARGENTINA, SOUTH KOREA, AND SPAIN

MAURO F. GUILLÉN*

This paper conceptualizes how organized labor in newly industrialized countries both responds to and shapes the presence of foreign multinationals. Four images of multinationals—as "villains," "necessary evils," "arm's length collaborators," and "partners"—are documented and compared using evidence drawn from three countries during the 1950–99 period. Organized labor flatly opposed foreign multinationals early on, under authoritarian regimes, in all three countries—Argentina, South Korea, and Spain—but that stance shifted over time in divergent rather than convergent ways. In Argentina, organized labor alternately viewed multinationals as villains and as a necessary evil, and in Korea it deemed them fit for limited, arm's length collaboration. In Spain, by contrast, unions gradually shifted toward a willing acceptance of multinationals as partners. Organized labor's images of multinationals are found to have resulted from two key factors: democratic versus authoritarian political regimes, and modernizing versus populist labor union mentalities.

The proprietor of stock is properly a citizen of the world, and is not necessarily attached to any particular country.

—Adam Smith

The rate of profit is higher [in the colonies] due to backward development, and likewise the exploitation of labor.

—Karl Marx

Few modern economic phenomena have aroused more passion than foreign investment. Critics of the multinational enterprise accuse it of being an "octopus,"

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"agent of imperialism," "dog of capitalism," or "cultural dictator." Apologists for the multinational, perhaps fewer in number, call it a "dolphin," "leader of modernization," "job creator," or "boon to mankind." The general public and all sorts of elites—intellectual, political, industrial, labor—have voiced their praises or (more often) criticisms of multinationals, contributing to ideological debates over national sovereignty, property rights, and industrial relations. From these debates have emerged ways of constructing reality, identifying problems and opportunities, and guiding proactive or reactive behavior (Guillén 1994). This paper examines how and why organized labor's foreign investment ideologies change over the course of economic development.

Recent research has established a clear link between a country's strategy of economic development and its industrial relations policies (Frenkel and Peetz 1998; Kuruvilla 1996; Kuruvilla and Venkataraman 1996). This paper takes a different, yet complementary, approach to industrial relations in newly industrialized countries by proposing a framework to understand organized labor's attitudes toward foreign direct investment. This topic has received little systematic attention in spite of its impact on patterns of multinational activity and economic development (Cooke 1997; Cooke and Noble 1998; Haggard 1990). I conceptualize four ideotypical responses by organized labor to foreign multinationals, and illustrate each of them with comparative-historical evidence from Argentina, South Korea, and Spain. Unions' ideologies are traced to political regimes and economic mentalities, and alternative explanations are considered.

The paper makes three contributions. First, it shows that organized labor may adopt responses to foreign multinationals ranging from outright hostility to active partnership. Second, it specifies the political conditions and mentality accounting for such variation. And third, it shows that industrialization produces divergence, as opposed to convergence, in organized labor's attitudes and behavior toward multinationals across countries. Thus, this paper contributes to the debate over the persistence of diversity in industrial relations across countries (Kerr et al. 1964; Katz 1993; Locke and Thelen 1995).

Over 80 million people worldwide are employed by the foreign subsidiaries of multinationals. Some economies—both rich and middle-income—are highly dependent on foreign investors for job creation (Table 1). The ideological strife over the multinationals has been much more heated in developing or newly industrialized countries than in advanced ones for three important reasons. First, developing countries tend to be rich in natural resources or cheap labor that multinationals lack in their home countries, resulting in conflicts over how to distribute the pie between the providers of natural resources or labor and the owners of technology and capital. Second, most developing countries have been ruled by authoritarian regimes, which have repressed labor to mute its demands, and the presence of multinationals may boost the international legitimacy of such regimes. The fact that most multinationals tend to be headquartered in democratic countries tends to add insult to injury. Observers in host countries have not failed to remark these galling facts. And third, developing countries often perceive the presence of multinationals as limiting national sovereignty.

Multinationals and Organized Labor in Four Development Contexts

The comparative literature on industrialization suggests that the roles of multinationals in development differ depending on two factors: whether the strategy of
**Table 1. The Impact of Multinationals in Selected Rich and Middle-Income Countries.**

<table>
<thead>
<tr>
<th>Nation</th>
<th>1994 Per Capita Income*</th>
<th>1995 Total FDI Stock as % GDPb</th>
<th>Manufacturing Employment in Multinationals: % of Total</th>
<th>Year*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rich Countries:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>18,120</td>
<td>30.8</td>
<td>25.8</td>
<td>1987</td>
</tr>
<tr>
<td>Austria</td>
<td>19,560</td>
<td>8.0</td>
<td>36.5</td>
<td>1985</td>
</tr>
<tr>
<td>Denmark</td>
<td>19,880</td>
<td>13.1</td>
<td>12.4</td>
<td>1986</td>
</tr>
<tr>
<td>France</td>
<td>19,670</td>
<td>9.6</td>
<td>16.4</td>
<td>1990</td>
</tr>
<tr>
<td>Germany</td>
<td>19,480</td>
<td>6.9</td>
<td>17.0</td>
<td>1992</td>
</tr>
<tr>
<td>Great Britain</td>
<td>17,970</td>
<td>28.5</td>
<td>14.9</td>
<td>1990</td>
</tr>
<tr>
<td>Italy</td>
<td>18,460</td>
<td>5.7</td>
<td>10.7</td>
<td>1991</td>
</tr>
<tr>
<td>Japan</td>
<td>21,140</td>
<td>0.5</td>
<td>1.0</td>
<td>1990</td>
</tr>
<tr>
<td>Netherlands</td>
<td>18,750</td>
<td>28.4</td>
<td>14.0</td>
<td>1987</td>
</tr>
<tr>
<td>Norway</td>
<td>20,210</td>
<td>13.4</td>
<td>6.4</td>
<td>1989</td>
</tr>
<tr>
<td>Singapore</td>
<td>21,900</td>
<td>67.4</td>
<td>58.0</td>
<td>1988</td>
</tr>
<tr>
<td>Sweden</td>
<td>17,130</td>
<td>15.9</td>
<td>11.5</td>
<td>1990</td>
</tr>
<tr>
<td>United States</td>
<td>25,880</td>
<td>7.7</td>
<td>10.8</td>
<td>1991</td>
</tr>
<tr>
<td><strong>Middle-Income Countries:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>10,930</td>
<td>16.9</td>
<td>21.3</td>
<td>1977</td>
</tr>
<tr>
<td>Ireland</td>
<td>13,550</td>
<td>20.2</td>
<td>42.8</td>
<td>1987</td>
</tr>
<tr>
<td>Portugal</td>
<td>11,970</td>
<td>7.4</td>
<td>12.9</td>
<td>1984</td>
</tr>
<tr>
<td>Spain</td>
<td>13,440</td>
<td>17.6</td>
<td>20.9</td>
<td>1990</td>
</tr>
<tr>
<td>Turkey</td>
<td>4,710</td>
<td>3.9</td>
<td>5.2</td>
<td>1990</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3,600</td>
<td>25.2</td>
<td>24.0</td>
<td>1995</td>
</tr>
<tr>
<td>Philippines</td>
<td>2,740</td>
<td>9.2</td>
<td>20.0</td>
<td>1988</td>
</tr>
<tr>
<td><strong>South Korea</strong></td>
<td>10,330</td>
<td>2.5</td>
<td>15.0</td>
<td>1978</td>
</tr>
<tr>
<td>Thailand</td>
<td>6,970</td>
<td>10.3</td>
<td>15.0</td>
<td>1986</td>
</tr>
<tr>
<td>Argentina</td>
<td>8,720</td>
<td>8.7</td>
<td>32.0</td>
<td>1984</td>
</tr>
<tr>
<td>Brazil</td>
<td>5,400</td>
<td>17.8</td>
<td>14.0</td>
<td>1977</td>
</tr>
<tr>
<td>Colombia</td>
<td>5,330</td>
<td>12.1</td>
<td>16.0</td>
<td>1981</td>
</tr>
<tr>
<td>Mexico</td>
<td>7,040</td>
<td>25.6</td>
<td>21.0</td>
<td>1988</td>
</tr>
</tbody>
</table>

*Current international dollars.

*Inward Foreign Direct Investment stock as a percentage of GDP.

*Latest year available.


development seeks to accelerate growth by substituting local production for imports (the import-substitution model) or by increasing exports (the export-oriented model); and whether multinationals are granted free access to local production factors and markets (permissive policies) or are not (restrictive policies) (Gereffi 1989; Haggard 1990; Kuruvilla 1996). For example, host governments often restrict multinational activity by imposing a certain level of domestic ownership, hindering profit repatriation, demanding minimum local product content and technological transfers, or requiring production to be exported. Table 2 lays out the four contexts that result from cross-classifying these two dimensions, each associated with a different image of the multinational firm. Table 2 also notes what kinds of investment strategies and labor requirements characterize each image.

Permissive or liberal foreign investment policies under an import-substitution model (cell 1 in Table 2) offer multinationals a protected domestic market in exchange for import-substituting investments that create jobs and save hard currency. Multina-
Table 2. Four Images of the Multinational Enterprise (MNE) in Newly Industrialized Countries.

<table>
<thead>
<tr>
<th>Policies toward MNEs</th>
<th>Strategy of Economic Development</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Export-Oriented</td>
</tr>
<tr>
<td>Permissive</td>
<td>MNE = Partner</td>
</tr>
<tr>
<td></td>
<td>Possible MNE Investment Strategies:</td>
</tr>
<tr>
<td></td>
<td>Acquisitions in mature industries.</td>
</tr>
<tr>
<td></td>
<td>Wholly-owned in growth industries.</td>
</tr>
<tr>
<td></td>
<td>MNE Labor Requirements:</td>
</tr>
<tr>
<td></td>
<td>Flexibility, skill formation, stability.</td>
</tr>
<tr>
<td>Restrictive</td>
<td>3  MNE = Arm’s Length Collaborator</td>
</tr>
<tr>
<td></td>
<td>Possible MNE Investment Strategies:</td>
</tr>
<tr>
<td></td>
<td>Export Processing Zones (XPZs).</td>
</tr>
<tr>
<td></td>
<td>Manufacturing contracts (OEM);</td>
</tr>
<tr>
<td></td>
<td>Minority JVs.</td>
</tr>
<tr>
<td></td>
<td>MNE Labor Requirements:</td>
</tr>
<tr>
<td></td>
<td>Low wages, docility, union avoidance.</td>
</tr>
</tbody>
</table>

tionals are invited, as “necessary evils,” to invest jointly with local businesses because import-substitution in growth or new industries—such as automobiles and electronics—requires technology and capital that the average developing country lacks. Indonesia, India, Brazil, Argentina, Mexico, and Spain all adopted this general policy, at various times (Gereffi 1989; Haggard 1990). In this context, multinationals expect a stable industrial relations system that promotes adequate levels of purchasing power inside the protected domestic market (Enderwick 1985). Import-substitution conditions and the resulting bias against exports will discourage multinationals from stepping up investments in worker training and cutting-edge technology.

The import-substitution model, however, may also be accompanied by restrictive policies toward foreign multinationals if nationalist sentiment or an aspiration for self-reliance overrides pragmatic considerations about the country’s dearth of capital and technology (cell 2 in Table 2). The balance has periodically tipped that way, temporarily reversing policies that allowed multinationals as necessary evils, in Argentina, Venezuela, Mexico, and India. In this context, multinationals are depicted as “villains” that plunder the country’s riches, thwart its economic potential, and limit its national sovereignty. A typical policy outcome is the expropriation of foreign multinationals’ subsidiaries, especially in such highly visible industries as oil, mining, and public utilities.

An export-oriented economic strategy can also be accompanied by either permissive or restrictive policies toward multinationals. Export-led growth with restricted foreign direct investment (cell 3) entails the creation of special arrangements by which multinationals can take advantage of the natural resources or cheap labor so plentiful in developing economies without granting them free access to the domestic market.
market. For example, export-processing zones, original equipment manufacturing (OEM) contracts, and minority joint ventures may be used to attract export-oriented multinationals, possibilities that are not available under the import-substitution conditions of cell 2. Under restrictive export-oriented conditions, multinationals become “arm’s length collaborators,” and they expect low wages, docile labor, and the absence of unions (Enderwick 1985; Deyo 1989; Kuruvilla 1996). Multinationals are thus likely to stay in the country only as long as labor remains cheap, docile, and subservient, and they are very unlikely to introduce the latest technology or to spend much on worker training. South Korea and China exemplify this development strategy (Haggard 1990).

The fourth situation depicted in Table 2—export-led growth with permissive foreign investment policies—implies treating multinationals as “partners.” This context is only feasible in countries that are willing to ignore or downplay ownership issues and to pursue integration with the global economy or a trade bloc in exchange for economic growth and job creation, as in Singapore, Ireland, Spain, and, more recently, Mexico (Haggard 1990). Export-led policies under unrestricted operating conditions indicate to multinationals that their long-term labor strategy ought to be one of creating a flexible, skilled, and stable workforce that can adapt to changes in the global economy. In this situation multinationals are most likely to introduce the latest technology and train their workers extensively (UNCTD 1994:168–73, 204–36).

**Explaining Organized Labor’s Ideologies toward Multinationals**

The ideal-typical scheme in Table 2 provides a straightforward way to understand four different approaches to multinationals taken by the governments of newly industrialized countries. Organized labor, however, should not be assumed to agree with the government’s development policy. In fact, unions frequently, though not always, react to the arrival of multinationals with hostility, and attempt to shape policymaking by engaging in industrial action, political protest, or negotiation with the government.

The central hypothesis of this paper is that the way organized labor views the multinational enterprise—the image it chooses—is shaped by a combination of two variables: political regime, and economic mentality. First, a democratic political regime that recognizes extensive labor rights and gives unions a role to play is more likely than an authoritarian regime, especially a repressive one, to generate labor union support for permissive policies toward foreign multinationals (cells 1 and 4 in Table 2). The reason is that unions generally feel they have a weaker bargaining position when dealing with multinationals than with local businesses because foreign firms can credibly threaten to “exit,” unlike most local businesses. This feeling of powerlessness usually results in apprehension about foreign multinationals. Thus, only fully recognized labor rights may give labor enough confidence to agree to (or promote) the arrival of foreign multinationals.2

The second variable, the economic mentality prevalent among labor union leaders and members, guides their preference for export-led versus import-substitution industrialization. “Mentalities” consist of im-

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1Foreign firms in export processing zones hire local workers to assemble components of foreign origin for re-export. By contrast, in an original equipment manufacturing (OEM) contract a foreign firm supplies a local company with the technology and most sophisticated components so that it can manufacture goods that the foreign firm will market under its own brand in international markets.

2Non-repressive authoritarian corporatism may in some cases persuade unions to welcome foreign multinationals, as the Singapore experience demonstrates (Kuruvilla 1996).
Figure 1. Exports and Foreign Direct Investment Stocks in Spain, Argentina, and South Korea, 1970–1995.

Sources: World Development Indicators; World Investment Report.

Explicit, non-reflective, subjective assumptions that predispose members of a group or class to accept one particular ideology over another (Guillén 1994:25–26). For the purposes of this paper, the relevant split in mentality is populist versus modernizing. A populist mentality emphasizing short-term compromise and redistribution at the expense of long-term prosperity (for example, wage gains regardless of productivity increases) predisposes unions toward the import-substitution model (Mouzelis 1988). By contrast, a modernizing mentality highlighting productivity, flexibility, and competitiveness leads unions to embrace an export-led model (Bresser Pereira 1993).

The cross-classification of political regime (democratic versus authoritarian) and labor union mentality (modernizing versus populist) provides a framework for understanding which image of the multinational is more likely to be adopted (see Table 3). Thus, unions impregnated by populism are more likely to adopt the necessary evil image in a democratic country with full labor rights (cell 1), and to embrace the villain image under an authoritarian regime (cell 2). By contrast, unions with a modernizing
mentality are more likely to accept the arm's length collaborator image in authoritarian countries (cell 3) and the partner image in democratic ones (cell 4).

The next section provides comparative evidence documenting how democratic versus authoritarian regimes and modernizing versus populist union mentalities shape organized labor's response to foreign multinationals. Alternative explanations are also considered.

Organized Labor's Images of the Multinational in Three Newly Industrialized Countries

In the 1950s, labor unions in Argentina, South Korea, and Spain differed little if at all from their peers in other developing countries in their hostility toward foreign multinationals. These unions coincided in their strong beliefs that (1) the working class was being exploited in the context of an unequal international division of labor between advanced and developing countries, (2) the presence of foreign multinationals helped authoritarian regimes appear more legitimate, and (3) their country's sovereignty was at risk. They saw multinationals as villains. Argentina, South Korea, and Spain adopted import-substitution policies during the late 1940s and 1950s, when agriculture still accounted for about half of their work force. During the 1960s and 1970s, however, these economies became fully industrialized ones, albeit following different paths. Figure 1 shows each country's evolution between 1970 and 1995 in terms of export orientation and cumulative foreign investment, both measured as a percentage of GDP. During that period, Argentina oscillated between permissive and restrictive foreign investment policies without developing a strong orientation toward exports (cells 1 and 2 in Table 2). Korea and Spain, by contrast, pursued export-led growth, though with sharply different foreign investment policies. While Spain abandoned restrictive policies during the 1970s and 1980s (cell 4), Korea has persisted in keeping multinationals at arm's length (cell 3).

Across countries, organized labor's response to foreign investors diverged in significant ways, and not always as a function of (or tracking in time) the respective government's responses. In Argentina unions alternately viewed multinationals as villain and necessary evil; in Korea they belatedly shifted toward the arm's length collaborator image; and in Spain they adopted the partner image. The four development contexts (Table 2) and the four labor union responses (Table 3) can be illustrated with the experiences of these three countries at different points in time, which is why these countries were chosen for intensive comparative analysis. In general methodological terms, a "variation-finding" approach, with examination of "systematic differences among instances," is often employed to help establish "a principle of variation in the character or intensity of a phenomenon having more than one form" (Tilly 1984:116). For each country, I present evidence from union archives, publications, and interviews with union leaders to document how the nature of the political regime and the unions' economic mentalities affected images of foreign multinationals. Such a principle of variation can be readily extended to new cases and alternative explanatory variables, and is "relatively easy to verify, falsify, or modify on the basis of the new evidence" (Tilly 1984:116). I make no claim in the paper that this theoretical approach can be applied without modification to countries other than newly industrialized ones or to those lacking organized unions.

Argentina: Between "Villains" and "Necessary Evils"

Argentina is a textbook case of import substitution with alternating restrictive and permissive policies toward foreign investors, the result of a high degree of political instability: the country had 19 presidents (including 9 generals) and 45 economy ministers in the 50 years prior to 1993. In the 1940s organized labor adopted a populist credo emphasizing immediate economic gain and became one of the crucial pillars
Table 3. Organized Labor’s Images of the Multinational Enterprise (MNE).

<table>
<thead>
<tr>
<th>Political Regime</th>
<th>Economic Mentality of Organized Labor</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Modernizing</td>
<td>Populist</td>
</tr>
<tr>
<td>Democratic with Full Labor Rights</td>
<td>MNE = Partner</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Democracy &amp; Modernizing mentality:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spain, 1980s–1990s</td>
<td>4</td>
</tr>
<tr>
<td>Authoritarian, Repressive, or Both</td>
<td>MNE = Arm’s Length Collaborator</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Authoritarianism &amp; Modernizing mentality:</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Korea, 1980s–1990s</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>MNE = Necessary Evil</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Democracy &amp; Populist mentality:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1990s</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MNE = Villain</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Authoritarianism &amp; Populist mentality:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spain, 1950s–1970s; Korea, 1950s, 1960s–</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1970s</td>
<td></td>
</tr>
</tbody>
</table>

Note: Time periods in bold indicate overlap between the unions’ and the government’s position.

of the import-substituting political coalition. Unions accused foreign investors of plundering the country’s natural riches and exploiting the working class, especially during the long periods of labor repression. Only when acute economic crisis coincided with an interval free of government repression did they abandon this image of multinationals as villains and grudgingly accept them as necessary evils. Partly as a result of organized labor’s attitudes and actions, the presence of foreign multinationals has undergone repeated ups and downs.

At the turn of the century Argentina ranked sixth in the world in per capita income. Staggering exports of wool, leather, and grains were made possible by a vast supply of treeless land—the *pampas*—and a steady inflow of immigrants from Europe. Improvements in transportation and refrigeration technology helped the country become a leading exporter of perishable foodstuffs to the Northern hemisphere. Foreign capital contributed to the transportation infrastructure, utility services, and manufacturing (Lewis 1992:50–51). The Great Depression hurt Argentine exports and, to make matters worse, a military coup in 1930 interrupted a democratic tradition reaching all the way back to independence (1810). More and more voices called for the state to take a strong role in the economy, especially after Britain imposed tough trading conditions in 1933 (Lewis 1992:86–93). The reaction against British economic imperialism marked the birth of a nationalist conscience among intellectuals, politicians, and labor unionists (San Martino de Dromi 1992:149–52; Rock 1993:21).

In 1943 these influences converged in a pivotal event in Argentine history: a coup by fascist-leaning army officers. Colonel Juan Domingo Perón, given charge of the Labor Department, showered workers with benefits and enhanced their bargaining power. After winning the 1946 presidential election, he expanded populist labor reforms in order to secure his power base and endorsed the social doctrine of the Catholic Church. These ideas were enshrined in a corporatist system of occupational and interest-group representation, monopolis-
tic and compulsory in nature, with the state acting as arbiter of disputes. Perón also deepened import substitution and created state enterprises. Building on Argentines' traditional distrust of foreign investors and on the popular belief that the country was inherently rich, he succeeded in turning fears and prejudice into hostility with his effective populist and nationalist rhetoric. Foreign interests in railroads, telecommunications, utilities, and the merchant marine were nationalized. Argentina isolated itself from the trade boom of the 1950s by not participating in the GATT or the Bretton Woods system.

Argentina's peak labor organization, the General Confederation of Labor (CGT), was bureaucratized and domesticated by Perón, who succeeded in turning it into a nationalist and populist union, ridding it of socialist and communist ideals about working-class internationalism. "This movement was not born thanks to a technocrat or an inspired sociologist versed in foreign theories, but out of a long process originating in the words and works of General Perón," reflected a union leader some decades later. A famous union slogan made the same point, only more succinctly: "Neither yankees, nor marxists; peronists!" (Bunel 1992:118; McGuire 1997). Consistent with their populist focus on short-term economic gain, unions demanded and obtained average annual wage increases of 22% during the late 1940s while productivity increased by no more than 6% per year. Absenteeism ran as high as 50%. (McGuire 1997: 52–53; Lewis 1992:183.)

The CGT's official line on foreign investment only shifted in response to Perón's attempt to overcome a balance-of-payments crisis in the early 1950s by "retreating" from economic nationalism and allowing foreign involvement in automobiles and oil (Lewis 1992:195–207). Although some individual unions and the rank-and-file protested, the CGT leadership adopted the necessary evil image: "Foreign investors are a danger for the country of investment only when those countries lack legislative norms to regulate their activ-


In 1955 the army ousted Perón, in a coup reflecting both the Church's disenchantment with his anticlerical educational reforms and the military's fear that a worker militia was on the horizon. But Perón's imprint endures. Semi-democratic governments alternated with authoritarian ones until the military junta of 1976–83, each trying but failing to put an end to the stalemate between the inward- and outward-oriented interest groups (Adelman 1994; Lewis 1992). Multinationals came to Argentina in the late 1950s and early 1960s, but almost no new investment arrived until after 1976. The reigning import-substitution conditions and the unmitigated opposition of the unions left multinationals no option but to exploit natural resources recklessly or to manufacture antiquated, price-inflated goods for a tiny domestic market (Lewis 1992:298–318, 421–22).

With Perón in exile, union attitudes toward foreign investors remained largely intolerant (San Martino de Dromi 1996:112–16, 349; Balvé 1990:56–57; Godio 1991:144, 147). Between 1955 and 1958 the military government proscribed both unions and strikes. Labor leaders demanded "the reinforcement of a national popular state aimed at destroying the anti-national oligarchy and its foreign allies," and called for the nationalization of foreign trade, meat-packing, and banking (Lewis 1992:368; Godio 1991:72, 77; Calefio and Parcero 1984:197, 201). With the return to democratic rule in 1958, some unions did acquiesce to the government's policy of attracting foreign investment. Their adherence to the necessary evil image, however, proved incomplete and short-lived (McGuire 1997:86–88; Balvé 1990:57). Thus, the secretary-general of CGT charged

3The CGT's temporary acceptance of the necessary evil image had more to do with its dependence on the state for resources than with democratization (McGuire 1997:57).
that “capital was being imported in exchange for exports of sovereignty.” The Struggle Plan of 1964—a thoroughly populist document—called for “building the foundations of a happy people with sufficient welfare so as to enable a decent existence in a country which is immeasurably rich.” Demands for nationalization proliferated during the 1960s, as the unions felt multinationals were taking advantage of labor repression, especially after the military seized power in 1966. “The government formed with the support of the armed forces—elected by nobody—lowered import tariffs, the [foreign] monopolists applied the law of the jungle—dumping—domestic firms went bust....” (Calello and Parcero 1984:231–32).

Labor leaders were quick to argue that the bourgeoisie, state elites, and the military had forged a “conspiracy” with foreign multinationals to plunder the country. The anti-foreign rhetoric became particularly virulent when American interests were at issue, mostly because of the activities of the American Institute for the Development of Free Labor Unionism, which as part of President Kennedy’s Alliance for Progress received funding from U.S. multinationals and was endorsed by the AFL-CIO. In the mid-1960s the unions acted on their populist instincts and sought to obtain immediate economic gains through factory occupation campaigns, often targeting foreign-owned firms. Labor leaders who obtained the best deals for their members were more likely to make it to the top of the CGT organization (McGuire 1997:82–94, 114–15, 153–56).

Anti-foreign attitudes were also exacerbated by well-publicized court cases concerned with abuses by multinationals—for example, the Swift bankruptcy of the early 1970s (Lewis 1992:319–27)—and by the labor riots of 1969 and 1971 in the auto manufacturing city of Córdoba. The 1971 wave of factory occupations, looting, and rioting resulted in only one death, compared to fifteen deaths in the 1969 riot, but politically it was the more important of the two outbreaks, because it forced one general out of power and complicated the next general’s task to the point of facilitating Perón’s return from exile. In their own view, the unionists were simply trying to break the “Holy Alliance among imperialism, our oligarchy, and the armed forces” (Calello and Parcero 1984:241; Brennan 1994; Lewis 1992:369–87; San Martino de Dromi 1992:311–14). During most of the 1960s and into the 1970s, unions, influenced by a populist mentality and the military government’s unabated repression, reacted to multinationals with hostility (McGuire 1997:112–63). While the government featured multinationals as necessary evils in its import-substitution effort (cell 1 in Table 2), the unions saw them as villains (cell 2 in Table 3).

During Peronism’s brief second spell in power between 1973 and 1976, union leaders supported the nationalization of foreign firms. The first military junta of 1976–81 reversed course once again with a radical and fast-paced opening of the economy to foreign investors and traders, and initiated a “dirty war” against labor and the left that claimed over 9,000 lives. Still, populist

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6Rogelio García Lupo (1971) pointed out in *CGT* during 1968 that nearly 200 officers in the army were appointed as top executives of as many domestic and foreign-owned firms.


behaviors were not eradicated, with job absenteeism remaining at double-digit rates (Lewis 1992:474). The unionists complained that “the agents of the multinational companies infiltrated the government so as to push a program of denationalization and colonization.” Subsequent juntas undid the liberal economic reforms in 1981–83 as growth slumped, but mismanaged the economy and sealed their fate in a desperate attempt to divert attention from labor turmoil by invading the Malvinas Islands—a British colony off Argentina’s coast.

After the return to democracy in 1983, the unions did everything possible to undermine President Raúl Alfonsín’s stabilization policies and to discourage foreign investment. The CGT staged as many as thirteen general strikes against the Alfonsín administration between 1983 and 1989. True to their populist mentality, the unions attacked economic austerity measures as well as plans for privatizing state companies. The CGT turned its back on the facts that one in six employed Argentines was on the state’s payroll at the time, government spending had reached 60% of GNP, and 40% of the budget was allocated to subsidizing the losses of the state enterprises (San Martino de Dromi 1992:440–76, 1996:1153; Lewis 1992:250, 488; McGuire 1997:193–94). Faced by the unions’ formidable opposition, the President ultimately failed to bring inflation under control, and stepped down short of completing his six-year term. The country that once was the “barn of the world” witnessed food riots in May 1989. Hyperinflation peaked at an annual rate of 20,266% in March 1990. Foreign investment came to a standstill.

The desperate political, economic, and social situation of the late 1980s helped elect Peronist presidential candidate Carlos Menem, who took advantage of it to push liberal economic reforms. Two key policy initiatives were the opening of the economy to foreign investment and an ambitious privatization program (Toulan and Guillén 1997). Of the 54 privatizations completed by February 1993, 37 involved the participation of foreign multinationals (Kosacoff and Bezchinsky 1994:135–39). Privatizations, currency stabilization, trade liberalization, and administrative reforms undermined the political and economic power of the unions. While some factions of the labor movement indicated their desire to move away from populism by increasing the size of the pie rather than fighting about its distribution, others remained uncompromisingly combative: “We the workers will never allow our homeland to be turned into a colony.” The head of the state employees’ unions complained that “the only thing that is being privatized is the profits, while losses are being nationalized” (San Martino de Dromi 1992:476–87, 1996:1358–59, 1378–92; Ranis 1992:214–15). Many union leaders were proving to be out of touch not only with a reality of bankrupt state firms, but also with the rank-and-file. In plebiscites held at several state-owned companies workers voted in favor of privatization (Ranis 1996, 1992:135–36, 210).

It is important to note that the unions that did support the government’s privatization and foreign investment policies did not do so out of true belief in the idea that multinationals were good for the country. Rather, they were reacting pragmatically to the desperate economic situation of the 1980s and early 1990s, which had reduced unions’ power and influence. President Alfonsín himself briefly enjoyed the support of the more pragmatic unions during 1986–87 in exchange for populist wage hikes. These collaborative unions then played a key role in Menem’s successful 1989 election. Multinationals are still largely seen by organized labor as necessary evils rather than partners, in a manner
reminiscent of the situation created by Perón’s retreat from economic nationalism in 1952–55 (McGuire 1997:204, 234). The most open-minded unions have sought to rebuild their organizational autonomy and resources by establishing new social services for members, taking stakes in privatized firms, and creating firms to act as subcontractors to the privatized companies, but without changing their ideology significantly. Meanwhile, the dissident labor organizations have renewed their anti-foreign attacks (McGuire 1997:216–41; Murillo 1997). Not surprisingly, multinationals do not stand out for their worker training efforts (Fuchs 1994).

Argentine labor unions have clung to their populist mentality and have forgone opportunities to develop a constructive relationship with foreign multinationals operating in the country. The image of the multinational as villain was abandoned in favor of the necessary evil image only during times of economic hardship and only provided the government did not repress union activities. The unions’ oscillation between the two populist images of the multinational enterprise has contributed to the instability of foreign investment and to the short-term agenda of the multinationals operating in the country.

As we shall see next, organized labor’s ideologies toward foreign investors in Korea initially emphasized the same themes as in Argentina: multinationals plunder natural assets and exploit labor, legitimize authoritarian regimes, and threaten national sovereignty. Korean unions, however, came to accept an arm’s length approach given their modernizing attitudes in the context of an export-led economic model.

South Korea: From “Villains” to “Arm’s Length Collaborators”

The roots of Korean labor’s anti-foreign attitudes lie deep in its experience of repression both under colonial rule and under self-rule. During the late 1940s and 1950s Korean unions embraced populism and import substitution, seeing the multinationals as villains to be avoided. The rapid export-led growth strategy initiated in the early 1960s relied on the availability of a large pool of cheap and docile labor, and on the participation of foreign multinationals as arm’s length collaborators, only rarely as direct investors with full managerial control. Korean unions did not challenge the export-led model, but reacted against the deplorable working conditions at the export-oriented plants, fighting the abuses of the multinationals from the 1960s to the early 1980s under authoritarian regimes. Thus, dissident labor unions and grassroots organizations shaped the pattern of multinational activity in the country, ruling out highly repressive labor schemes such as export-processing zones, but permitting restrictive arm’s length arrangements such as export contracts and minority joint ventures in which Korean firms retained managerial control. Organized labor’s hostility toward unrestricted operations by multinationals persists even after the transition to democracy due to continuing repression of union activities.

The first phase of Korea’s industrialization, a period of rigid economic dependence, coincided with (and was occasioned by) Japanese colonial rule, from 1910 to 1945. In the 1930s, the pace of industrial growth quickened through foreign investment as the peninsula became a stepping stone to Manchuria, the newest object of Japan’s imperial dreams. Over 90% of all industrial capital was owned by the zaibatsu, and many Koreans were trained by the Japanese in warfare, engineering, or administration. The Republic of Korea was founded in 1948 to the south of the demilitarized zone. President Syngman Rhee (1948–60) initiated a nationalist import-substitution drive and reinforced the state’s repressive administrative and military apparatuses inherited from the Japanese (Cumings 1997).

Even though organized labor’s predicament in Korea during the 1950s was very different from that in Argentina, it adopted a similar anti-foreign ideology. No socialist party ever emerged in Korea, and, after two foreign occupations—by Japan and the United States—the communist movement
was essentially nationalistic rather than class-based. A trades unionism was not feasible either, because the handicrafts had declined during the Yi dynasty's long period of rule, 1392–1910 (Koo 1993:136; Amsden 1989:192–95, 324–25). Japanese colonialism, U.S. occupation, and South Korean authoritarianism all succeeded, through restrictive legislation and outright repression, in preventing the free unionization of labor (Cumings 1997:367–77).

Organized labor's reaction to foreign economic involvement in Korea had traditionally been mixed with a political aspiration for self-determination. The Korean independence movement emerging out of Japanese colonial rule—supported by the National Council of Korean Labor Unions—called for the nationalization of Japanese and pro-Japanese Korean property, and of all basic heavy industries, natural resources, and means of communication and transportation (Hart-Landsberg 1993:120–21). During the years immediately following World War II multinationals were clearly seen as villains by the labor unions. In response, the United States sought the collaboration of conservative interests to destroy the communist worker unions and to create the organization that would later become the long-lived and undemocratic Federation of Korean Trade Unions or FKTU (Hankuk noch'ong). The zenith of this period of reckless repression was reached during the Chongnyangni railroad strike of 1947, which ended in hundreds of deaths and thousands of arrests (Koo 1993b:134–35).

During the 1950s the economic chaos induced by the Korean War and President Rhee's repressive practices only reinforced labor's hostility toward the multinationals. Although successful at generating growth thanks to international aid and foreign investment, Rhee indulged in corruption and giveaways to the rent-seeking business groups or chaebol. Fiscal deficits became such a problem that the government was forced to introduce a stabilization program in 1957 that failed to stimulate private investment. The ensuing economic recession and unemployment took their toll, and the Rhee presidency collapsed in 1960 under pressure from student protests.

In a sharp departure from previous policy, General Park Chung Hee (1961–79) pursued a program of economic independence and export-led growth fueled by large, Korean-owned firms. In addition, Park disciplined the chaebol and carefully monitored them. On the one hand, the state provided chaebol owners with funds at subsidized rates and protected the domestic market from imports; on the other, it required them to meet production and export targets. Multinationals were rarely permitted to operate other than as arm's length collaborators in export-processing zones or in minority joint ventures and export contracts with Korean firms (Amsden 1989; Lim 1985).

Export-led growth was pursued on the basis of low wages and labor repression. General Park's 1961 "Plan for the Reorganization of Labor Groups" purged and reorganized the FKTU as a puppet organization to "work toward national security by eliminating all pro-communist and counter-revolutionary elements and establish a system of unified industrial unionism to overcome organizational disorder and to prevent undisciplined labor disputes." The Park regime achieved a true regimentation of labor, especially after adopting the authoritarian Yushin constitution of 1971 (Cumings 1997:367–77).

The few foreign multinationals that ventured into Korea during the 1960s and 1970s earned a bad reputation by exploiting a labor pool repressed by the regime. The first foreign investment project took place in 1962. Normalization of relations with Japan in 1965—which paved the way for increased foreign investment—was marked by acute protests (Kim 1971). The creation of duty-free export-processing zones attracted American and, especially, Japanese assemblers, who used Korean labor until wages increased steeply in the late 1980s. Strikes over unionization and working conditions first erupted at these plants after 1968 (Signetics, Oak Electronics, Korea Pfizer, General Motors-Saehan), inducing General Park to restrict labor organiz-
ing at foreign-invested plants (West 1987; Deyo 1989:135; Lee 1993; Kim 1993; Nam 1994). The official FKTU union then stated its support for the government’s “effort to attract multinational corporations, and [offered to] defer the organization of a labor union for six to twelve months after the firm has arrived, limiting ourselves to setting up a vehicle for mutual understanding between labor and management” (Kei 1977:74).

In spite of Park’s attempt to control workers through the FKTU union, labor dissidence rose, especially at the export-processing zones, and began to catalyze the formation of unions. At the center of the problem was the lack of labor rights and the appalling working conditions that characterized the first two decades of rapid economic growth in Korea. The multinationals operating at export-processing plants were found to be particularly exploitative of labor. In addition, when faced by labor unrest or unionization drives, several American and Japanese multinationals allowed the police to discipline the workers or simply decided to leave Korea without paying back wages and other debts. Tellingly, General Park’s assassination in 1979 was triggered by a mounting wave of labor unrest over pay and working conditions initiated at foreign firms in the Masan export-processing zone.11

Park’s successor, General Chun, asserted his authority after the Kwanju massacre of 1980, which showed the working class that foreign economic powers were willing to go along with repression and that the dominant union confederation (FKTU) was a pawn. An outburst of creative criticism followed, as intellectuals and workers produced countless novels, poems, movies, plays, and works of visual art against Japanese and American economic imperialism. Worker-poets described how the government had turned Korea into “a paradise for U.S.-based multinationals.” The United States was a “ruthless hegemon,” a “careless colossus,” and a “Coca-colonizer.” Anti-multinational cartoons were used by the clandestine labor unions in their organizing efforts. Foreign multinationals came under attack for their “imperialistic plunder” (Lee 1994:206–7, 217–18, 230–31, 253–69). Clearly, workers and their emerging union organizations were flatly opposed to the direct presence of foreign multinationals, especially in the exploitative export-processing zones.

These and other opposition movements coalesced in the minjung (common people) movement of the 1980s, which exploited the increasingly large gap between the workers and the official FKTU union. It comprised 23 organizations of workers, farmers, intellectuals, journalists, and church activists in reaction to increased income inequality, repression, and an emerging class-based polarization of society (Koo 1993; Shorrock 1986). Its ideology combined elements of nationalism and nativism, and became virulently anti-American and anti-Japanese. In 1984, minjung leaders sent an “open letter” to President Reagan accusing his administration of maintaining “friendly ties with the military dictatorship.... The U.S. multinational corporations already in Korea are collecting huge profits through unfair contracts and through the sheer size of their capital” (Shorrock 1986:1209–10).

Criticism of multinationals remained intense through the late 1980s, especially because they allowed or sponsored violent crackdowns on union activists—hiring kusadae or strike-breaking thugs—and threatened to pull out of the country, as in the cases of Motorola, Tandy, and Pico Products. The Secretary of the Coordinating Council of Trade Unions at Foreign Invested Companies bitterly complained in 1989 that “the profits [of foreign firms] came from the efforts of Korean laborers—laborers who ate noodles and lived in small

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rooms.”12 Reportedly, more than half of minjung drama performances in 1992–93 were labor-related, often criticizing the exploitative behavior of U.S. multinationals (Lee 1994:259).

The dissident labor organizations organized at the company and industry levels successfully mounted a major strike wave in 1987–88, resulting in sharp wage increases. It would be wrong, however, to argue that Korean unions behaved in a populist way when attempting to extract wage concessions. The unions were certainly militant and occasionally violent, but they were opportunistic rather than populist (Song 1994:173).13 They knew a tight labor market with negligible unemployment afforded them great power. Repression had long kept wage increases well below productivity gains. This was especially true between 1979 and 1986. Thus, after the relaxation of authoritarian rule in 1987, workers and unions used their market power to raise their share of the benefits from rapid economic growth (Soon 1994:85–92; Kim 1993:149; Wilkinson 1994). Moreover, unions never condoned or encouraged absenteeism, which is extremely low in Korea. The wage hikes had the expected effect of making export-processing investments unprofitable. Thus, the most significant objection of the dissident unions toward multinationals as arm’s length collaborators—their exploitation of labor at the foreign-controlled, export-processing plants—was to lose significance as Korea’s wage advantage eroded. The dissident labor organizations were now ready to join the more moderate FKTU confederation in admitting multinationals as minority collaborators in joint ventures or as marketers of Korean-made products, with Korean-owned firms retaining managerial control.

The disputes at the Korean subsidiaries of IBM, Motorola, Tandy, and Citibank—all majority-owned or wholly owned by their parent corporations—illustrate the labor unions’ reasoning in demanding a restrictive approach toward the multinationals. Unions organized at the plant level showed little patience with the usual arguments to justify the unrestricted presence of multinationals. Labor leaders stated in 1990 that “multinationals do not enhance our technology or give us job opportunities for free” (S.Y. Lee 1990). The leader of the IBM labor union in the late 1980s flatly rejected the image of multinationals as partners, referring to them as a “pernicious influence” (B.H. Lee 1990). International observers noted that union members at foreign multinationals in Korea exhibited little concern for their jobs. They were simply opposed to working for foreign-owned and -managed companies, preferring instead to have multinationals operate as arm’s length collaborators through minority joint ventures and export contracts (Byington 1990). Tellingly, foreign bank employees involved in the 1989 strikes stated that they had to endure the “pain and humiliation of working at a foreign-owned company,” a psychological stigma that did not exist when working for a Korean firm holding the majority stake in a joint venture with a multinational.14

Even since democracy was reestablished in 1992, labor unions have stuck to their negative image of the multinationals, who can be tolerated in the country only as arm’s length collaborators in the pursuit of


13The assessment that Korean unions are far from populist in their mentality and policy was corroborated during telephone interviews with union leaders and labor scholars: Kim Yoo Sun, Deputy Director of the Korean Labor and Society Institute, former Director of Policy Planning at the KCTU, and member of the Tripartite Commission, Monday, May 31, 1999; Lee Byoung-Hoon, formerly leader of the IBM Korea labor union, June 4, 1999; Son Ho Chul, Professor, Seo-kang University, Seoul, June 2, 1999.

export-led growth. The main reason for the lack of change in union ideology is the government's unwillingness to take labor into account during the transition to democracy, and to recognize, let alone enforce, basic labor rights. The freedoms of association and assembly and the right to collective bargaining are not fully recognized or guaranteed in Korea, a situation repeatedly denounced by the United Nations, the International Labor Office, and the OECD—organizations in which the country holds membership (Dicker 1996). For example, the more combative Korean Confederation of Trade Unions (KCTU, Minsu nogu tong) was not legalized until early 1998 in spite of its rapid membership growth after 1987, especially in the crucial automobile, shipbuilding, and heavy industries. Even the most routine labor activities, such as actions demanding improved working conditions, frequently end in police charges and arrests. Accordingly, Korean unions—not only the dissident KCTU but also the more conciliatory FKTU—position themselves in cell 3 of Table 3, espousing modernization through export-led growth but also a desire to restrict the activities of foreign firms. As Mo (1999) noted, unions remain confrontational in their approach to most issues, including foreign investment, not because of ideological rigidity or populist mentalities, but because of the government's vacillation with regard to the role labor ought to play in Korea and the lack of clear procedural rules for the conduct of industrial relations.

In early 1998, then president-elect Kim Dae-jung "appealed to the people to shed nationalistic sentiment to attract foreign investment" so as to overcome the severe foreign debt crisis. During the spring of 1998 unions engaged in anti-government demonstrations and strikes in response to layoffs and the possibility of foreign investors taking over Korean firms. Once in office, President Kim responded by arresting over 125 labor leaders and officials, a move that could only make it harder for the unions to change their stance (Crotty and Dymski 1998). For example, a union leader at Korea Telecom rhetorically asked himself, "Do foreign investors want our economy to survive? ... Once they get profits, they will leave." Both the unions and the government understand that labor unrest tends to scare off the multinationals, so the former engage in protest while the latter tries to calm down unrest through mild repression and tripartite agreements.16

As both labor and business leaders recognize, political conditions are not yet ripe for the unions to adopt more favorable attitudes toward multinationals. With unemployment rising as a result of the financial crisis, unions are wary, and their leaders insist on the need for the government to guarantee basic "stakeholder" rights in the enterprise before foreign multinationals are allowed to operate without restrictions, that is, to become partners as opposed to arm's length collaborators. And other leaders observed in interviews that arm's length arrangements such as joint ventures have the advantage of neither surrendering complete control to the foreigners nor letting the chaebol run the economy unhindered.17

As we shall see next, it takes special political circumstances for organized labor to accept the presence of foreign multinationals as partners.

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15Korea Times, January 19, 1998, and November 20, 1998; Korea Herald, May 11, 1998; Korea Central Daily, January 21, 1998, pp. 3–1, 3–4, 2–11, and January 22, 1998, pp. 2–1, 2–4. All references are to the internet editions of the Korea Times (www.korealink.co.kr/times.htm) and the Korea Herald (www.koreaherald.co.kr), in which no page numbers are given.


17Telephone interviews, Choi Jung Ki, Director of the Employment and Welfare Department at the Federation of Korean Industries, and member of the Tripartite Commission, June 1, 1999; Lee Byung-Hoon, June 4, 1999; and Kim Yoo Sun, Monday, May 31, 1999.
Spain: From “Villains” to “Partners”

Spanish leftist unions harbored anti-foreign ideologies during the 1950s and 1960s under an authoritarian regime. Since the 1970s, however, they have come to adopt zealously favorable foreign investment ideologies in a context of democracy and integration with Europe. Unions have heralded multinationals as partners, as the ideal agents to help create jobs, transfer technology, and assist in modernizing the country. Democracy, liberal economic policies, and union friendliness have attracted massive long-term foreign direct investment.

Toward the end of the nineteenth century, after the country had welcomed foreign investment in railways, utilities, and certain manufacturing industries, its mood turned against foreign investors and traders. Anti-foreign sentiment, coupled with import-substitution dreams, was to reach a climax in the aftermath of the Civil War of 1936–39, when the Franco regime became dominated by nationalist policy-makers. Foreign interests in railways, mining, and telecommunications were nationalized, and a series of tight financial controls made foreign investment virtually impossible (Campa and Guillén 1996).

The limitations of the import-substitution model became apparent by the mid-1950s. Starting in 1959, liberal economic reforms substituted steep tariff barriers for non-tariff barriers to trade, and encouraged the arrival of multinationals in capital-intensive industries. During the 1960s Spain was among the fastest-growing economies in the world, matching Japan’s rates, in part thanks to foreign investment under the restrictive conditions of cell 3 in Table 2.

The evolution of labor unions’ ideological stand since the 1960s has been remarkable and has had momentous consequences for the unfolding of foreign investment in Spain. The socialist (UGT), communist (CCOO), Christian-socialist (USO), and anarchist (CNT) unions opposed the Franco dictatorship—albeit following different strategies—and participated in the return to democracy during the late 1970s. These (clandestine) unions organized protests and strikes, and lobbied foreign governments, unions, and international organizations, in attempts to undermine the compulsory corporatist system, prevalent since the 1940s, of joint, vertical representation of workers and employers (Fishman 1990; Guillén 1994:175–85). Up until shortly after the dictator’s death in 1975, union leaders, members, and sympathizers suffered unspeakable acts of repression, including torture and murder. Many were tried and jailed for military rebellion. The limited and tightly controlled mechanisms for collective bargaining introduced by Franco in the late 1950s so as to better sustain a capitalist, export-led model of growth and help the regime appear more liberal to the outside world allowed clandestine unionists to challenge, among other things, the presence of the foreign multinationals.

As in Argentina and Korea at various times, in Spain during the 1960s the unions resented multinationals for being the agents of capitalist imperialism, supporting a dictatorship (the Franco regime), and failing to observe basic labor rights. For example, in a country where strikes were illegal, with striking workers subject to temporary suspension or summary dismissal, sometimes the Labor Ministry—with multinationals complacently looking on—would first jail strikers and then, 48 hours later, sack them for not showing up for work. The clandestine unions maintained contact with their counterpart labor organizations in the multinational’s home country and fully informed them of such incidents. To name one of many examples involving American or European multinationals, the United Auto Workers distributed in the United States a leaflet criticizing the Chrysler Corporation for being "more francoist than

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Franco himself" in its treatment of striking workers at its Madrid plant in January 1969.19

Given these behaviors of multinationals and the widespread suspicions about what motivated them to do business in a protected market and under a dictatorial regime, labor leaders proposed to monitor and curtail their activities in a variety of ways. Unlike their counterparts in Argentina and Korea, however, they modulated their criticisms and recommendations very carefully so as not to jeopardize the multinationals' job-creation activities in Spain. Thus, the socialist union UGT's "Minimalist Program" of 1972 contained a rather mild and vague proposal to "rigorously control foreign capital invested in Spain."20 This union's worker training courses included a session on how to deal with foreign firms, the essential message of which was, "Multinational enterprises are a consummated, irreversible fact. The time to quarrel over whether we should reject or accept their existence has passed. What we can discuss is the way in which the working class ought to deal with them."21

By the early 1980s, economic and political conditions were ripe for the unions' unqualified acceptance of foreign multinationals. Spain adopted a democratic con-

stitution in 1978, and was yearning to join the European Union, which it did in 1986. Unlike in Argentina and Korea, labor unions participated in the entire process of political transition, and their views were somewhat influential in shaping economic and social policy-making (Bermejo 1994a,b; Fishman 1990). Thus, multinationals were no longer collaborationists in league with a dictatorial regime, nor could they easily take advantage of the working class, which was relatively well organized, protected by favorable labor legislation, and politically enfranchised in a democratic worker representation system. As the union leaders of the time said in interviews with the author, the transition to democracy and the empowerment of organized labor enabled them to abandon their "inordinate fears" about the multinationals.22

The unions' new favorable attitudes toward foreign investors resulted not only from the transition to democracy with full labor rights but also from their own shift from a populist to a modernizing mentality. As Álvarez-Miranda (1996:219–48) has documented, during the 1970s the Spanish left abandoned its long-standing isolationist and anti-capitalist proposals to embrace pro-European views (europeismo), a development that helped pave the way for the arrival of massive foreign investment starting in 1985. In a sharp departure from the mentality of the 1960s, the communist and socialist unions began to argue in the late 1970s that the small size of the Spanish market required integration with Europe, greater efforts to expand exports and increase industrial competitiveness, and rejection of the import-substitution model.23

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20UGT, July 1972, p. 9.
23See CCOO's publications: Unidad Obrera, Vol. 28 (2nd fortnight, November 1979), pp. 10–11; II Congreso de la Confederación Sindical de CCOO: Informe general y
Unions behaved as moderate and fairly constructive agents during the late 1970s and 1980s, rejecting the extremes of populism and accepting wage growth below inflation in the face of massive unemployment (Bermeo 1994a, 1994b:116; Fishman 1990; Hamann 1998). The modernizing mentality of the unions came to influence discussions of topics such as economic policy-making, industrial restructuring, and foreign investment.

Spanish unions shifted their ideological position all the way from cell 2 to cell 4 in Table 3, embracing the multinationals as partners. Union leaders concluded not only that “few countries in the world, not even the richest ones, can afford to do without the experience, technology, and capital of the multinational enterprises,” but also that multinationals were a type of employer that was, or could be, much more sensible, progressive, and democratic than the average Spanish entrepreneur. Thus, foreign multinationals could contribute toward “modernization of the weak and unequivocally reactionary domestic entrepreneurial community.” As the leader of the communist CCOO put it in an interview with the author, “Spain needed the multinationals because of the lack of a viable domestic bourgeoisie.” Tellingly, the socialist and communist unions actively participated in efforts to court foreign investors, including General Motors, Volkswagen, and DuPont.25 And the multinationals have responded like true partners by stepping up their investments in Spain and increasing their training expenditures per worker to levels three times as high as those for domestically owned firms (Mineco 1994:269, 290–94).

Naturally, the image of multinationals as political and economic partners was not easy to defend during economic downturns, as some foreign firms scaled back their investment plans or even divested.26 With the single exception of the rather marginal anarchist union (CNT), however, Spanish organized labor has come to accept, celebrate, and actively court foreign investment.26 As the multinationals’ collaboration with the Franco dictatorship and their abusive industrial relations practices receded into the past, the unions began to welcome foreign investors as job creators and technology providers. Democracy and the unions’ abandonment of populist attitudes in favor of modernizing ones paved the way for the full acceptance of foreign multinationals as partners.

Political Regimes, Union Mentalities, and Alternative Explanations

The characteristics of political regimes and of labor union economic mentalities jointly account for the variation in foreign investment ideologies of Argentine, Korean, and Spanish unions since 1950, as outlined in Table 3. Alternative explanations of the ideological shifts documented in this paper suffer from significant limitations. First,

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deterministic arguments that union views of multinationals tend to converge as a by-product of industrialization (Kerr et al. 1964) cannot explain why unions first adopted the villain image and later abandoned it in favor of the image of multinationals as necessary evils (Argentina), collaborators (Korea), or partners (Spain)—switches that, I have shown, are explicable by reference to the political regime and the dominant union mentality. Second, that unions will see multinationals as either arm’s length collaborators or villains is a good bet if labor is repressed (denied democracy with full labor rights), but we cannot predict which of the two images will be chosen without invoking the unions’ economic mentalities (which I have categorized as modernizing or populist, respectively). Third, unions’ dependence on the state for resources can certainly explain specific shifts in union positions in response to changing economic strategies on the part of the government. In the cases examined, however, these shifts tended to be rather short-lived tactical accommodations, as in Argentina during 1952–55 and 1986–87. Fourth, a recent experience of colonialism or economic dependence might help explain why Argentine or Korean unions have so adamantly opposed multinationals, but it cannot explain why the image of multinationals shifted from villain to necessary evil (Argentina) or from villain to arm’s length collaborator (Korea). Similarly, the fact that Spain was a colonizer cannot explain why the unions were initially hostile toward multinationals and later changed their mind. And fifth, insufficient local investment to create jobs can certainly help reconcile unions to foreign investment. However, the cases of Spain during the 1960s and early 1970s and Korea from the 1960s to the 1980s demonstrate that unions are not likely to accept multinationals for job-creating reasons unless there is democracy and labor rights are duly observed.

Discussion and Conclusion

The relationship between multinationals and organized labor in the course of economic development is yet another industrial relations pattern that deserves explicit attention in the comparative literature. Industrialization per se does not seem to induce organized labor to converge in acceptance of multinationals; quite the contrary, it has induced a wide variety of responses ranging from outright hostility to active partnership depending on the nature of the political regime and labor union mentalities. Because unions and multinationals alike can choose from a great range of options in deciding what actions and attitudes to take, and also because the logic of industrialism is context-dependent, deeply dyed by politics and ideology, the outcomes of economic growth and development tend to diverge rather than converge across countries.

Multinationals were initially seen by Argentine, Korean, and Spanish labor unions as foreign imperialists taking advantage of poor workers or cheap natural resources, providing authoritarian governments with international support, and even threatening national sovereignty. Union ideologies shifted in divergent ways over time and across countries. Argentine unions, imbued with a populist mentality, supported import-substitution efforts starting in the 1940s, generally regarding multinationals as villains. They opposed policies favoring foreign investment except during times of economic emergency, when they accepted multinationals as necessary evils, provided the government did not engage in repression. Korean labor’s experience of repression under colonial rule and independence, and even under democratic government, made direct foreign ownership ideologically difficult to justify. Dissident unions fought against direct foreign involvement in export-processing zones, preferring instead for multinationals to enter into arm’s length export contracts or minority joint ventures with locally owned firms. In Spain, democratic transition and consolidation went hand in hand with economic reforms, and labor unions played a crucial role in the design of the country’s economic strategy of increasing economic openness and integration with Europe. In this context,
foreign multinationals came to be seen as partners in development.

That labor union ideologies have diverged in these three countries is also apparent from an analysis of the current situation and its likely evolution in the near future. Even the least combative Argentine unions have only reluctantly accepted the liberal economic reforms of the 1990s. They have sought to rebuild their resource and power base by pursuing entrepreneurial activities and providing their members with social services without committing themselves ideologically to a liberal policy toward multinationals, thus keeping their options open for the future. The Korean situation is also open-ended, but in a different sense. It is unclear how the various union federations will respond to the probable increase in direct foreign economic activity in Korea as a result of the IMF-led bailout. Labor leaders are instinctively using a nationalist rhetoric to protect jobs and incomes, and if this is an indication of future strategy, there could be a reawakening of explicitly hostile attitudes toward multinationals, especially those allowed to acquire and restructure bankrupt Korean companies. In Spain, by contrast, the main unions have thrown their weight behind policies tending toward full economic integration with Europe and the global economy, including the presence of multinationals.

The main lesson to be drawn from this paper refers to the experience in Spain as it compares to that in the other two countries. The Spanish experience illustrates that organized labor can be an important and influential actor in the process of economic development, and that it has to be taken into account when the government decides on the extent and kind of participation by foreign multinationals. In Korea and Argentina only political repression succeeded—and only temporarily—in relegating labor to the political background. Organized labor’s foreign investment ideologies are not merely epiphenomena of underlying economic and political realities. They can and do shape political and economic change: Argentine unions long acted as a constraint on attempts to open the economy to foreign investment, while Korean workers and unions have contributed to the national consensus about doing business with the multinationals only at arm’s length. In Spain, by contrast, the unions’ friendly attitude helped draw vast amounts of foreign investment to the country during the 1980s and 1990s. Thus, organized labor can be encouraged and empowered to become the organizational vehicle to articulate the aspirations and fears of different groups of workers and employees early on in the process of economic development or reform. In so doing, a solution that is not only acceptable to most groups but also well suited to the strengths and weaknesses of each country might be easier to devise and implement. The favorable attitude of the Spanish unions toward the multinationals, however, is not to be taken as the only practical or possible response by organized labor under democratic conditions. For political or geopolitical reasons, labor unions may choose to oppose massive, unrestricted foreign equity investment. Democracy with full labor rights, however, makes such hostility less likely.

The analytical framework and evidence presented in this paper invite further comparative research in three directions. First, more cases of newly industrialized countries need to be intensely studied to further explore how closely, and with what limitations, unions’ images of multinationals can be linked to political regimes and union mentalities. In particular, future research ought to ascertain if variations in the country’s geopolitical features and, most important, in the organization and density of unions affect responses to multinationals. Second, little attention has been paid to the role of labor unions in the transition from central planning to a market economy, which usually entails striking difficult bargains concerning the participation of foreign capital. And a third topic that warrants systematic comparative analysis is the ideological debate that the international expansion of firms has generated in the home countries of these firms, be they developed countries or newly industrialized ones.
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