

# Foreword

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This volume contains chapters which were discussed at a conference on the World Trade Organization (WTO) sponsored by The Frank H. Sobey Faculty of Commerce, Saint Mary's University, Halifax, 29–30 September, 2000. The University holds an annual international political economy conference arranged by Professor Gavin Boyd. Alliance Capitalism will be the theme in November 2001 and Professor John H. Dunning (University of Reading, UK and Rutgers University, USA) will be a distinguished guest at this conference.

Much of the literature on the world trading system has been the work of economists focusing on trends and issues in arm's length commerce between nation states. The significance of transnational production in the service of international markets has thus been overlooked. However, the volume of this production is much greater than export flows, for which official figures do not distinguish between arm's length and intrafirm trade. Transnational production is increasing, with large expansions of foreign direct investment, especially between the USA and the European Union (EU). Hence the structural foundations of foreign commerce are being substantially altered. Trade policy conflicts, moreover, add to the incentives of multinational firms to produce abroad, especially in major foreign markets.

All this means that the basic concerns of government with the growth and employment effects of trade liberalization endeavours in the World Trade Organization have to take into account the structural linkages which international firms are building across national borders through foreign direct investment. One consequence for policymakers is that the international competition policy issues are becoming more challenging. A concomitant trend is the growth of cross-border portfolio capital flows. One can pose the question then, should the WTO be given a major responsibility in these areas?

While negotiating or preparing to negotiate for multilateral trade liberalization, governments (and in the case of Europe, the EU) tend to see themselves in rivalries to enhance structural competitiveness. Their firms, however, are under pressures to concentrate on strategies to increase their own global market shares, with selective use of foreign location advantages and the investment bidding of host governments. While national trade policies have to respond to the interacting consequences of government measures and

corporate activities, the reactions of diverse groups demand attention. This was dramatized by the Seattle ‘riots’, which disrupted the 1999 Ministerial meeting of the World Trade Organization. The protests in Prague in the summer of 2000 at the IMF meetings confirm the changing environment in which supranational agencies now function.

In this volume the results of research by economists, international management experts, and political scientists have been brought together. Contributions to policy learning have been combined with studies relating to the broad social responsibilities of international firms, operating individually and in alliances. The University community is very grateful to all participants in the conference, and to the contributors to this conference volume, especially Professor Alan M. Rugman, Leslie Waters Chair in International Business, Kelley School of Business, Indiana University, USA.

We look forward, through this conference series, to providing an ongoing forum for informed discussion on emerging international trade and investment issues that will help shape the future of the world economy.

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