Introduction

This volume and Volume I of the set consists of some of my more substantial and influential contributions to the study of international business (IB), foreign direct investment (FDI) and global capitalism. The contributions stretch over nearly three decades, although the great majority were written in the 1980s and 1990s.

The second volume covers a variety of topics, ranging from the economic and social implications of global capitalism to the rising importance of regional economies in their desire to attract inward foreign direct investment (FDI), to issues of competitiveness and how national governments might best respond to the opportunities and challenges of globalization. The first group of essays – Chapters 1 to 4 – identifies a number of features of the changing world environment which have occurred over the last two decades and their relevance for international business (IB) activity. The comparisons and contrasts between the situation in the early 1980s (Chapter 1) and 2000 (Chapter 2) are both interesting and instructive. Chapter 2 contains some of my recent thoughts on the actions which need to be taken if the global capitalist system, as we know it today, is to survive and prosper. Particular attention is given to the role of the four main institutions of global capitalism, viz. markets, civil society, national governments and supranational agencies. The recent (2001) terrorist attack on the World Trade Center in New York City dramatically emphasizes some of the economic, political and moral imperatives which need to be addressed if global capitalism is to remain the dominant system of wealth creation.

In Chapter 3, we identify and evaluate some of the paradoxes of the emerging global markets, and how national governments and MNEs, faced with a similar group of paradoxes, have overcome and/or reconciled them. Chapter 4 turns more specifically to the challenges of globalization faced by developing – and particularly poorer developing – countries in their attempts to transform and upgrade the structure of their economies. Again, as in Chapter 10 of Volume I, this chapter emphasizes the particular features of alliance capitalism and stresses the need for social and ethical harmony among and between countries of different economic and ideological persuasions.

Chapters 5 to 7 turn to consider some spatial implications of our contemporary global and knowledge-based economy. Chapter 5 (and especially Table 5.1) details some changes in the specific variables affecting MNE activity

between the 1970s and 1990s. The rising importance of both macro- and micro-regional governing entities in affecting the siting of mobile innovatory and productive activities is emphasized in Chapter 6. Especial attention is paid in both that chapter and Chapter 7 to the growing significance of the economies of agglomeration of (related) economic activities, and the impact of, and response to, cross-border industrial clusters by MNEs.

Chapters 8 and 9 contain two essays – one written in 1977, the other 17 years later – dealing with the costs and benefits of inbound FDI. Much of the content of these two chapters formed the basis for Part 3 of my book *Multinational Enterprises and a Global Economy* (Dunning, 1993), and have subsequently been explored in more depth and detail in a series of annual *World Investment Reports* prepared by UNCTAD, and published by the United Nations. Certainly, the advent of the global economy has heightened or reduced the existing costs and benefits, and has added new ones. But in general, the price to countries of *not* participating in the global economy has increased over the last two decades, while some of the earlier (perceived) costs have been mitigated by the intensified competition between global firms. At the same time, most national governments have redirected their policies away from FDI *per se* to attempting to secure the maximum net benefits from being part of a global economy.

Chapter 10 looks more specifically at the consequences of the completion of the European internal market (*viz.* Europe, 1992) – the penultimate stage in the movement towards a fully integrated European community¹ – on both extra- and intra-EC inward FDI. In doing so, it draws upon both the theory of FDI and that of economic integration, and finds that removal of most non-tariff barriers to the movement of goods and services has, indeed, had a positive impact on the flow of new FDI into the EC as well as influencing its industrial and geographical composition.

The next group of essays presents some of my thoughts on the subject of the competitiveness of firms and countries. Chapter 11 extends the well-known Porter diamond of competitive advantage (Porter, 1999) to embrace the impact of both inbound and outbound FDI on the productivity of indigenous resources and capabilities. Chapter 12 looks at some empirical evidence of the extent to which the world's leading industrial MNEs perceive they augment their domestic competitive advantage from foreign sources. This they may do directly as a result of the foreign activities (especially innovatory activities) of their affiliates, and/or indirectly by the ability of these affiliates (or foreign partners in a strategic alliance) to tap into the technological and organizational capabilities of indigenous firms and into the innovatory systems of host countries.

In Chapter 13, we examine the ways in which, and the extent to which, inward and outward MNE activity helped restructure the UK's economy in the 1970s, and, in so doing, upgraded the allocative and technical efficiency of UK industrial firms. *Inter alia*, it shows that the performance of both the UK

affiliates of foreign MNEs and the domestic operations of UK MNEs generally record superior performances than other UK-based producers.

The final chapters of this volume set out two of my contributions on the changing role of national governments in the light of the increasingly significant role of cross-border investment technology flows and strategic alliances. Chapter 14 takes a broad look at the historical evolution of the macro-economic and micro-management policies of Western (and especially the UK) governments, and how the widening spatial dimension of economic activity is affecting these policies. Chapter 15 returns to the theme of Chapter 2, but looks more specifically at the challenges posed by globalization to the economic management of both national governments and supranational regimes. In particular, it pays attention to the various forms of government intervention and the transaction costs associated with such intervention. It also examines the extent to which and the form in which the easier mobility of goods, services, assets and people across national boundaries reduces the freedom of national governments to operate independent macroeconomic policies and micro-management strategies.

John H. Dunning
Rutgers and Reading Universities

NOTE

1. The final stage being the adoption of a common currency and monetary system.

REFERENCES

- Dunning, J.H. (1993), *Multinational Enterprises and the Global Economy*, Wokingham, Berkshire: Addison-Wesley.
- Porter, M.E. (1990), *The Competitive Advantage of Nations*, New York: The Free Press.