Preface

Both scholarly and policy interest in the role of multinational enterprises (MNEs) in the contemporary world economy has burgeoned in recent years against a backdrop of growing economic integration of national economies into the global economic system. The data chronicling their global operations have become far more extensive, and the scientific literature, both theoretical and empirical, dissecting their activities has grown much richer. However, the implications of the operations of MNEs for economic development in host developing countries remain elusive. There are many unresolved issues relating to designing policies to regulate and monitor the entry and operations of MNEs as part of the overall national development endeavour. This book aims to fill this gap in the literature by examining some issues central to this policy debate in the light of the experiences of developing countries in Asia. Developing Asia provides a valuable laboratory for the study of these issues, given the long-standing presence of MNEs in many of these countries and the diversity among countries in terms of the stage of development and the timing of policy transition towards greater receptivity to MNE involvement in the national economies.

The book begins with an overview chapter which traces the evolution of post-war thinking and paradigm shifts relating to the role of MNEs and foreign direct investment in economic development and describes the structure and contents of the ensuing chapters. The next chapter gives a broad-brush picture of policy reforms and the investment climate in developing Asian economies and examines, from a comparative regional and global perspective, their experiences as hosts to MNEs as reflected in foreign direct investment inflows over the past three decades. The rest of the book is structured thematically, with each chapter providing a self-contained treatment of a selected theme of the contemporary debate on harnessing MNE participation in national development. The issues covered in the chapters include the role of MNEs in manufacturing export expansion; the ongoing process of international product fragmentation and its implications for trade patterns and global integration of developing countries; global research and development activities of MNEs; the relative stability of foreign direct investment compared with other forms of capital flows in the context of international financial crises, and the implications of the
operations of multinational enterprises for the recovery process; the implications of MNE presence for productivity growth in manufacturing, and the role of host country trade policy in conditioning the outcome; and the role of foreign direct investment in economic transition in former centrally planned economies (based on the experience of Vietnam). The core (thematic) chapters follow a common structure encompassing the state of the debate, relevant theory, methodology and data sources, and policy implications of the results, with extensive referencing to the related literature for those desiring to pursue the individual topics further. Two key concerns that guide the empirical analysis throughout are the interconnection between theory and practice and the choice of analytical procedures and tools with a view to getting the maximum out of the available (limited) data.

I believe that the book will be of interest to a broad audience, consisting of students, professional economists and policy makers. The economics of MNEs is a popular subject in advanced undergraduate (college) and graduate curricula, in its own right or as a major component of courses in international economics, development economics and international business. While there are a number of excellent textbooks on the subject, there is a dearth of empirical evidence and case study material to supplement the analytics. This book aims to fill the gap. Apart from this pedagogical value, the book will also serve as a valuable reference source for professional economists, and policy makers in developing countries and international development agencies in broadening their understanding of the role of MNEs as an integral part of the international dimensions of development policy. The reader will find this book to be unique amongst the few available policy-oriented books in this area, not only in terms of the subject coverage but also in terms of the effort made to draw upon a variety of hitherto unexploited data sources in studying the issues at hand.

Chapters 4, 5, 6, 7 and 9 draw upon my sole or joint contributions to the following journals: *Asian Economic Papers* (MIT Press); the *Australian Economic History Review* (Blackwell); *The World Economy* (Blackwell); *Transnational Corporations* (United Nations); and the *Oxford Bulletin of Economics and Statistics* (Blackwell). I thank the publishers for granting copyright clearance. The published material is incorporated in the book with considerable modification, rewriting and expansion in order to avoid overlap as well as to update the data and the literature coverage.

It is a pleasure to thank everyone who helped me in this endeavour. Most importantly, I am grateful to my co-authors, Sarath Rajapatirana, Satish Chand and Sisira Jayasuriya, both for fruitful research collaboration over the years and for permission to make use of material from our joint papers in Chapters 6, 7 and 9 respectively. I would also like to express profound gratitude to Peter Drysdale, Chris Findley, Ross Garnaut, Hal Hill, Vijay
Joshi, Chris Manning, Ross McLeod, Xin Meng, Kunal Sen and Peter Warr for valuable comments on and constructive criticism of various versions of one or more of the individual chapters. A special vote of thanks goes to Max Corden, James Riedel and Tony Thirlwall, and also to Sarath Rajapatirana for valuable advice and encouragement over many years.

I have benefited from research assistance provided at various stages by my PhD students, Juthathip Jongwanich, Archanun Kohpaiboon, Nobuaki Yamashita and Tran Quang Tien, who always performed beyond the call of duty. To them, I express my profound appreciation. Edward Elgar Publishing Ltd has been unfailingly helpful; I am indebted to Edward Elgar for nudging me into this project, and to Alexandra O’Connell, Suzanne Mursell and the staff for converting a complicated, unwieldy manuscript into a beautiful book.

Finally, my family – Soma, Chintana and Chaturica – deserve my warmest thanks for love, forbearance and unwavering support without which this task would never have been completed. Chintana and Chaturica also deserve thanks for help with preparing the manuscript.

Chandra Athukorala
Australian National University
June 2006