1 Globalization, Multinational Enterprises and Economic Development

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INTRODUCTION

This volume has emerged from the long-standing interests of the editors in the interface between corporate strategies of international companies and the economic policies of governments as applied to the attraction and development of foreign direct investment (FDI). In recent years some excellent volumes have emerged dealing with many of the different effects of globalization upon the behaviour of governments (Dunning, 1997); upon the dynamics of the firm (Chandler et al., 1998); upon technology and competitiveness strategies (Casson, 1991); and upon institutional and regional development (Amin and Thrift, 1994). While several of these collections touch on aspects of this volume, the approach here more specifically addresses the globalization of multinational enterprise activity and economic development. The process of globalization has drawn attention to the growing significance of the coordinating and transaction functions of the firm. At the same time it has raised new questions about the role of national and subnational governments as to how (or if) they are able to influence the spatial organization of economic activity in directions consistent with their economic development objectives.

This introductory chapter begins to explore some of these issues. Commencing with a contrasting review of the imperatives which respectively drive companies and countries in their business and economic development, two potential scenarios are suggested for the long-run impact of globalization on economic development. Having thus set the framework for the volume, the final section briefly summarizes the contributions of the authors of each of the chapters.
Recognizing that there are many different ways of defining globalization, this volume views it as the process by which the world economy is transformed from a set of national and regional markets into a set of markets that operate without regard to national boundaries. Such an approach removes a number of areas of disagreement which can inhibit the definition of terms for such a volume. By drawing attention to a process there is, for example, no impression that this applies only to companies with global reach; or that it is principally to do with the corporate sector; or that it is time-bound with a need to hypothesise precisely when an industry, technology or company became globalized. Equally it is quite clear that this process is far from complete, a point developed by John Dunning in Chapter 2. The direction of the process captured in the definition above has been identified for several decades, and there is some evidence that it has accelerated in the past ten years. Moreover, there are few parts of a country’s economic development which are not subject to some influence from the globalization process.

The central thrust of this volume is towards developing a deeper understanding of the ways in which the globalization of business impacts upon economic development. One element of this is therefore about the political economy of globalization. Strange (1997, p. 137) observes that from that perspective globalization means the coincidental effects of three major changes: namely the accelerated internationalization of production; the sharply increased mobility of capital; and the greater mobility of knowledge or information from communication of messages to the transfer of technology. There is little doubt that in various roles the multinational enterprise (MNE) has been a driver, enabler and promoter of these processes. Their strategies have been led by a desire to optimize market, cost and competitive variables within a liberalizing trade and investment environment. The economic development of nation-states has been much influenced as a result. Yet it is evident that the interests of corporate entities and countries are not always the same, and it is possible that globalization processes may serve to highlight the differences between them (Amin and Thrift, 1994; Dicken, 1992, 1994). As part of the setting of the context for this volume, it is therefore necessary to explore the interface between corporate development and economic development in a globalizing world economy. These are considered in Table 1.1 under five headings, namely per-