BOOK REVIEWS

The Political Economy of Foreign Investment in Mexico: Nationalism, Liberalism, and Constraints on Choice
Van R. Whiting, Jr.
(Baltimore, Maryland, The Johns Hopkins University Press, 1992), 313 pages.

As the title suggests, this new book by Van R. Whiting deals with a very timely and important subject. Both Mexico and its neighbours to the north, the United States and Canada, have had wrenching experiences during the 1980s and 1990s trying to adapt to a new world order, which was increasingly beyond the comfortable confines of their previous situations. To a certain extent, they have relied on each other via integration schemes (the United States–Canada Free Trade Area and the North American Free Trade Area (NAFTA)), in which the new rules for foreign direct investment (FDI) by members are central to their efforts to meet the new challenges. Whereas the United States–Canada Free Trade Area is between relatively similar partners, NAFTA (which is awaiting ratification by national assemblies) crosses the great divide between North America and Latin America and incorporates a "latino" member which, historically, has demonstrated considerable distaste for its "gringo" neighbour. The title of Whiting's book suggests that it would throw light on that anomaly.

The book contains most of the right ingredients. It consists of four parts. The first deals with the role of the State and FDI and provides the conceptual framework used to interpret the Mexican experience. The subject-matter is divided into two chapters, one treating the topic of state policy and the question of choice, the other that of dependence and state strength in Mexico. The second part is entitled "Nationalism versus liberalism" and consists of four chapters. Subjects dealt with include the nationalist tradition, the nationalist regulation of FDI in the 1970s, technology regimes and the limits of nationalism. Part three concerns international industrial structure and state policy and rests on case studies of the food-processing, computer and automobile industries. The final part, entitled "Constraint on choice", consists of a chapter dealing with what is labelled the political economy of nationalism and represents the conclusions of the analysis.

The book attacks the subject-matter intelligently. A political-economy approach is obviously relevant for this endeavour, particularly in the first part that presents the conceptual framework. The section on nationalist policy is undoubtedly an obligatory element for any serious analysis of this subject-matter, as is the concern shown for relating international aspects of industrial organization to policy decisions guiding certain key industries, such as food-processing, computer and automobiles. Finally, a large number of interviews is evidently the necessary and correct procedure for dealing with so complex a theme, involving such disperse political and economic agents.

While the book is well conceived and organized, it does not come off well. This is unfortunate given the timeliness and relevance of the subject-matter. The central flaw of this book, if one presumes that the title of a book should adequately indicate its contents, is that it really offers no new insight into "Southern liberalism" in Mexico during the 1980s and, by extension, into the manner in which Mexico has faced up to the new international economic order and the sense of the NAFTA integration scheme. This is puzzling given the fact that, on page 3, it says that: "The story of nationalist choices and structural constraints in foreign investment policy is the story of one vision of development in an internationalized world economy and its replacement with an alternative vision". Since virtually all Latin American countries faced excruciating debt crises and a hostile international environment, one wonders why it was only Mexico (and Chile) that achieved integral and effective "alternative visions". Whiting provides only half of the story, that is, the increasing inconvenience of a nationalist orientation in a new international setting.

A close analysis of the book reveals that it possesses three principal weaknesses, which explain why it does not really capture the essence of the material it is dealing with. The first weakness is the conceptual framework. Although this is a harsh judgement, the elimination of part one of the book would not materially damage the Mexican case study. The conceptual framework should be the vehicle by which the case study of Mexico is interpreted and given meaning. Rather than representing a dynamic political-economy focus for understanding "the story of one vision of development in an internationalized world and its replacement with an alternative vision" (p. 3), it breaks down into an outdated rehash of "received wisdom" in the form of modernization or dependency analysis coupled with a simplistic two-factor "theory of choice under constraints" or, State Policy Metapreference (p. 229, figure 7), all of which are locked into an old-fashioned academic mind-set. In sum, the conceptual framework does not succeed in presenting the case study in an adequate theoretical context.

The second weakness concerns certain shortcomings in the case study of Mexico. Undeniably, the case study does have its strengths. Those strengths include the overall treatment of the nationalist project, the analysis presented in the section on technology policy, sectoral aspects etc. At the same time, it is disquieting to find that the treatment of FDI, that is, the core of the subject-matter, is somewhat sloppy. For the most part, the two principal primary sources of statistical information of this topic, that is, Banco de Mexico (1938-1979 time series) and the United States Department of Commerce *Benchmark Surveys* for 1966, 1977, 1982 and 1989, are not directly referred to; rather, virtually all statistical information comes from (not always compatible) secondary sources.

The tables on FDI contain few definitions or explanations and are subject to criticism in the sense that they are unclear. For example, the "new (foreign direct) investment" for 1983-1987 found in table 4.6 on page 102 adds up to $6.4 million, whereas that on the capital account indicated in table 4.10 on page 106 only sums to $4.6 million, suggesting that authorized investments were being confused with materialized investments. Furthermore, the rapid growth of FDI as of 1986 in the context of "Southern liberalism" is not dealt with adequately (with the very partial exception of the outdated debt-equity conversion data presented in table 6.6 on page 166), even though it was one of the pillars of the new orientation (OECD, 1992). In other words, the statistical data base that underlies fundamental aspects of the material under examination is dealt with in a less than adequate manner.

The third weakness concerns specific aspects of a particular case study, that of the automobile industry. Whiting maintains that automobile production was being moved to developing countries to supply the world market (p. 211), which was true during the 1970s. Nevertheless, United States automobile TNCs soon gave up on that strategy owing to the fact that world cars were not easily sold to increasingly sophisticated customers in foreign markets and because the Japanese automobile TNCs were competing successfully against them in the domestic market via exports during the 1970s and transplant production during the 1980s. Thus, United States automobile TNCs were forced to revise their mode of production and to switch increasingly to the new lean-production techniques used by the Japanese. In this context, Mexico took on a new importance for United States automobile TNCs, which invested heavily in new facilities there. While the liberalization of the automotive sectoral policy was important, interviews in affiliates

Strategic Partnership States: Firms and International Competition
Lynn Krieger Mytelka, ed.
(Rutherford, Madison, Teaneck, Farleigh Dickinson University Press, 1991)
xvi and 216 pages.

Theories of the internationalization of economic activity have tended to swing from the one extreme of considering the transnational corporation (TNC) as a super-entity, liberated from territorial roots and control by States, a sort of all-powerful world oligopoly, to the other of considering internationalization to be a residual outcome of trade policies. This book has the great merit of considering a conceptual space defined by the interplay between internationalization, private power and strategies, and territorially rooted State power, in light of the forces driving economic dynamics today. The point of departure for the book is that internationalization principally revolves around the role of knowledge in production, as the driving force of technological competition. This type of competition is strategic in the sense of being dynamic: it aims to define the competitive position of firms by inserting them in organizational systems — partnerships — designed to give access to knowledge that will be crucial to their competitiveness in the future. These organizational systems are made up of oligopolies and they are themselves oligopolistic. But, unlike the "old" theories of internationalization, oligopoly is no longer primarily effected through mergers as a means to ownership, but through the device of strategic (knowledge- or technology-based) partnerships between firms, which operate in countries different from those in which they are headquartered. This organizational development, argue the authors of the contributions in this book, is a key vector of the new definition of the economic and territorial distribution of economic power.

The book's objective is clearly defined in a short and to-the-point introduction by Lynn K. Mytelka, who then follows up with the first theoretical chapter entitled "Crisis, technological change, and the strategic alliance". Showing how the crisis of Fordist mass production has given way to competition based on continuous product and process innovation as a rent-seeking activity, Mytelka argues that technological-cooperation agreements are a means to maximize access to such innovations. She documents the rise in technological-cooperation agreements between major TNCs and argues for their role both as a vehicle of State power—via policies that encourage nationally based firms to enter into partnership—and as a limit on traditional policies of national technological closure.

Charles A. Michalet's theoretical chapter, entitled "Strategic partnerships and the changing internationalization process" presents a tight, well-argued proposition that, whereas in the past we considered the power of the TNC as a limit to that of the nation–state, in the current "post-globalization era of multinational corporations" "technological links supplant the equity and financial relationships between firms" that were once dominant (p. 47). He goes on to argue that "neither the market, nor the hierarchy will be the structuring force in the world economy. Instead, a 'contractual economy' will emerge..." with a "complex structure of network firms and alliances [which] will structure the world economic space" (p. 47).

Claudio Ciborra opens the second part of the book (entitled "Alliances and the World Economy"), with a paper entitled "Alliances as learning experiments: cooperation, competition and change in hightech industries". His point of departure is transaction-cost economics; he attempts to fill in two of its gaps, namely, its static perspective and its bias towards internalization (hierarchies) as a solution to uncertainty. He shows that, in industries characterized by rapid, but uncertain technological change, alliances offer the possibility of engaging in reversible learning experiments, where the alliance is the least-cost solution to the benefits provided by knowledge-sharing and specialization, avoidance of lock-in and the (often considerable) transaction costs involved.

David Mowery follows on with a chapter based on his well-known research on the aircraft industry, and Michel Delapierre and Jean-Benoit Zimmerman complete the second part with a chapter on the strategic partnerships of French firms, centring especially on the European strategies of those firms. They draw on an extensive empirical database and consider the possibility that partnerships will be used to make Europe a technological "springboard" for global competition (against United States and Japanese firms) as opposed merely to a fortress.

The final part of the book is on the role of the State in light of these international partnerships. Jonah Levy and Richard Samuels, in a chapter entitled "Institutions and innovation: research collaboration as technology strategy in Japan", argue that the national innovation system in Japan offers advantages over the classical, firm-based innovation process, especially as regards a reduction of risks, which promotes more adventurous technological strategies. They caution, however, that research consortia are not the only element of Japan's innovative performance and, thus, should not be thought of as a simple. immediately transferable element of innovation policy. John Alic and Barbara Jenkins follow with chapters on the United States in general and the telecommunications industry in particular, and Mytelka offers a final chapter containing a detailed analysis of the European ESPRIT programme. Will ESPRIT build a new European oligopoly in information technology? Mytelka suggests that the answer may be yes, and that, moreover, this alliance will not necessarily crush the small and medium-sized enterprises, but rather insert them into new networks and give them access to new technology-based production methods. The verdict is not yet final, as the European information-technology industry has not yet shown itself to be a high performer. The question is not about intentions, but about the match between policy instruments and the outcome.

The conceptual framework advanced by Mytelka and Michalet is an important one. As usual, it opens up many questions. I wonder if the notion that it is cooperation between firms that provides the key to technological learning is, perhaps, too firm-based. Much of the literature is seeking the reasons that allow firms to become current, technologically excellent in the first place. After all, cooperation between firms that are themselves not set up to engage in such learning will, probably, produce very little. So the question of how these firms are organized for learning remains: is it firm-based practices, or the wider economic tissue", for example, the innovation system in which they are situated (as it is suggested, for example, in the chapter on Japan)? This gets us to another major debate shaping up in both research and policy circles, namely, the debate over territorial rootedness versus placelessness of competitive innovative performance. Are innovation systems rooted in national territories and their institutions (including their States) or are they primarily internalized within firms and their international networks? Mirroring this, there is another debate on whether innovation is formalized or whether it also involves strongly informal, customary economic routines: the research and development versus classical Schumpeterian, the "big-bang" versus evolutionary approaches to technological change. For the focus on partnerships might lead one to believe that technological competition is both placeless (internalized in globe-girdling formal organizations) and largely formal in nature. Clearly, the answer is that technological competition is rooted in both: from regional or national economic "tissues" which allow firms to be innovative in the first place, to international partnerships in which firms engage. Contemporary practices of technological learning take us from local, territorially rooted, formal and informal practices and organizations to a global system of knowledge flows oligopolistically controlled by major firms. This book helps us to understand the latter half of this organizational puzzle, and as such it is an extremely valuable contribution to the literature. ■

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Japan's Foreign Investment and Asian Economic Interdependence: Production, Trade and Financial System

Shojiro Tokunaga, ed.

(Tokyo, University of Tokyo Press, 1992), 294 pages.

As suggested by its attractive title, the aim of this book is to explore the growing economic interdependence among the Asian economies created by Japan's ever-rising foreign direct investment (FDI) in the region. Its chapters are written by a group of scholars from different Asian-Pacific countries, and they contain many useful analyses and interesting observations. But some views are contradictory to each other and left unreconciled, as discussed below. Furthermore, despite its title, the book basically deals with the rather one-sided *dependence* of the ASEAN countries on Japan (besides, only two members of the ASEAN bloc, Malaysia and Thailand, are singled out for analysis). In this regard, the coverage is uneven and skewed heavily to a particular subregion in Asia and the Pacific, though the last chapter brings in China as another host country for the investment activities of Japanese firms.

The book is divided into two parts. The first part examines the networks of trade, FDI, technology transfers and financial flows, and the second part presents case studies on FDI in Malaysia, Thailand and China.

Chapter 1 ("Japan's FDI-promoting systems and intra-Asia networks"), written by the editor, covers the multiple topics related to the transnational spread of Japanese industry in Asia: an overall review of Japan's FDI, with a particular focus on its pattern in Asia (unfortunately, however, the statistics used are only up to 1988); a summary description of the official investment-promotion programme administered by such government institutions as the Ministry of International Trade and Industry (MITI), the Export-Import Bank, and the Overseas Economic Cooperation Fund; an examination of transportation logistics pursued by the shippers from Japan and the Asian newly industrialized economies; a brief analysis of the horizontal specialization of the production of electronic products throughout Asia; and case studies on the Asian business networks of two Japanese companies (Sony and Mitsui Soko).

Chapter 2 ("Industrial and trade structures of Asian newly industrialized economies), authored by a Japanese official of the Japan Development Bank, examines the relationship between structural changes and trade patterns in the Asian newly industrialized economies in terms of the primary-secondary-tertiary sectoral stages of economic development. It compares Japan's processing-economy experience (importing raw materials and exporting finished goods) with the Asian newly industrialized economies' high proportions of both machinery exports and imports in total trade (importing industrial goods and exporting finished manufactures).

Chapter 3 ("Japanese FDI and the forming of networks in the Asia-Pacific region: experience in Malaysia and its implications"), written by a Japanese economist at the Institute for International Trade and Investment (a research arm of Japan's Ministry of International Trade and Industry), argues that "Japanese manufacturers have contributed to the Malaysian economy not only by creating new job opportunities but also by making linkages among sectors, cultivating human resources, transferring technologies, and spurring the relaxation of regulations" (p. 78). This assertion is based largely upon the results of the questionnaire surveys conducted by Japan External Trade Organization (JETRO), another arm of MITI, that strongly indicate a sharp rise in the out-sourcing from local suppliers of parts, components, other intermediate goods and raw materials by Japanese ventures operating in Malaysia and its neighbouring countries.

This chapter sheds useful light on how Japanese FDI in Malaysia is spreading and deepening the networks of manufacturing activities through both a vertical and horizontal division of labour. ". . . local companies must learn to supply new products to strict specifications. In some instances, the Japanese affiliate gives technical advice and assistance to local firms to help them meet new specifications. . . Once a local firm has succeeded in selling parts or components to a Japanese affiliate, more orders come in from other companies. When the orders are too voluminous to be filled by a single producer, the local firm must make subcontracting agreements with other local firms, thus effectively transferring technology and know-how" (p. 89). Unfortunately, other than this brief observation, there is no analysis of precisely how managerial techniques and skills are transferred and how workers are actually trained through a subcontracting network. It simply assumes that any subcontracting results in some transfer of technology to local partners.

Chapter 4 ("Technology transfer from Japan to ASEAN"), co-authored by three local scholars in the ASEAN countries, looks at Japan's FDI as a conduit of knowledge transfers. Two main channels are involved: one is the technology transfers through Japanese FDI, and the other is the publicsector technical cooperation sponsored by such aid-dispensing organizations as the Japan International Cooperation Agency (JICA). The authors state: "while the latter appears satisfactory in nature and scope, ASEAN nations are less satisfied with the former" (p. 121). But why the latter appears satisfactory in nature and scope is not explained.

The chapter raises one crucial question: "has Japanese investment been a useful vehicle for transmitting technology to ASEAN countries? In other words, has Japanese investment in ASEAN transferred technology by improving local technical competence (for example, more or higher skills and training of local personnel), or by increasing local capability to absorb imported technology (for example, more local R&D)?" (p. 119). The answer is presented in the negative; it refers to "the fact that Japanese subsidiaries are reluctant to train local managerial and higher-level technical personnel" (p. 119). This observation is diametrically opposed to the view presented in the previous chapter, and the reader wonders how to reconcile these opposing interpretations. Yet, chapter 4 does not provide any evidence for its assertion. In fact, it is implied that the host countries are also to blame for this situation. The authors hint at the importance of a receptive environment for technology absorption on the part of the host economies, but basically argue that ASEAN countries, on the whole, have reached a stage of industrial development where they are in a position to absorb more sophisticated technological know-how and skill; hence the problem lies on the side of Japanese suppliers of technology (data up to 1987-1988).

Chapter 5 ("Japanese technology and the new international division of knowledge in Asia"), written by an economist in Australia, also takes a critical view of the actual transfer of technology via Japanese FDI to the local economies. Even if local procurements of parts and intermediate inputs may increase, "the depacking or modification of technology to suit local needs becomes very difficult. The machine parts produced in various Asian countries all have to be made to precise specifications, in order to fit into the wider whole of a final product assembled elsewhere... Such constraints will limit the choice and adaptation of technology even if the factory is domestically, rather than foreign-owned" (p. 143).

Moreover, chapter 5 warns the reader about the "linear process" model of technological catch-up, a stage-like sequence from sheer imitation to adoption, to adaptation (improvement) and, finally, to innovation. Although this model is often presented as an appropriate description of the Japanese experience, one important missing mechanism is "the process of bottom-up innovation and technological change in traditional industries" in which indigenous techniques and skills are improved with an acquisition of technologies from overseas in such industries as silk farming, printing, ceramics and *sake* brewing. It is cited that, in Japan, some 23,000 patents were granted (mostly to local inventors) between 1885 and 1912, that is, in the relatively early stage of Japan's industrialization. Japan was thus able to graft modern imported technologies to the local technical trunks, so to speak: ". . . the contemporary industrialization process tends to lead, not to a steady diffusion of technology throughout all branches of industry, but to a widening gap between modern branches of industry (such as electronics) and traditional branches within the industrializing nations themselves" (p. 147). But, again, this view also contradicts the argument presented in chapter 4 to the effect that Malaysia has already reached a stage of acquiring and absorbing more sophisticated technologies. Chapter 5 points out the lack of a domestic technological capacity.

So, which view is right—that in chapter 3 or the ones in chapters 4 and 5? Unfortunately, no answer is provided in the book. For that matter, since there is no concluding chapter, many questions are open-ended and left unexplored.

Although chapters 3, 4 and 5 are supposed to be concerned with the network of technology flows, they are concerned mainly with FDI as a medium of transfer, and leave other forms of transfer (such as licensing, technical assistance programmes, original equipment manufacturer etc.) untouched.

Chapter 6, written by the editor of the book, covers the relationship between Japan's FDI and the development process of local Asian financial markets. It is the most enlightening chapter in the book. The author shatters the myth that FDI is a source of investment finance, a carrier of excess savings from the home countries. It is pointed out, for example, that only about one third of total investment funds by Japanese ventures in Thailand is equity capital, and that the rest (operating funds and working capital) is raised mostly from the local financial markets. The characteristics of local financial markets in Thailand and Malaysia are carefully described as background information to explain, in part, why local Japanese affiliates are induced to borrow locally rather than transferring money from Japan, a capital-surplus country. One institutional factor (the foreign exchange control law) in Malaysia is, for example, responsible for the fact that a foreign majority-owned firm "must raise 60 per cent or more of its funds from the financial institutions (commercial banks, merchant banks, finance companies etc.) established in Malaysia and majority-owned by Malaysians" (pp. 170-171).

Chapter 7 ("Foreign direct investment in Malaysia: technology transfer and linkages by Japan and Asian NIEs") is written by a high-ranking government official from the Malaysian Ministry of Education. A critical view of Japanese ventures as the mechanism of technology transfers is presented: "investors from Asian NIEs were quick to impart their technologies, as well as to Malaysianize the key posts in their joint ventures. Investors from developed countries, especially Japan, however, were less forthcoming in terms of technology transfer and Malaysianization of key posts" (p. 203). "Most of the foreign-owned companies interviewed—particularly subsidiaries of investing companies from Japan—did not view technology transfer as part of their goals" (p. 205). "Besides technology transfer and technological upgrading, greater emphasis should also be given to encourage the development of indigenous R&D facilities. Most of the MNCs from Japan found no necessity or incentive to decentralize R&D facilities to local subsidiaries. This is a pity, as some R&D work, such as adaptation of the major core processes to the domestic economy, could be done locally and should be encouraged" (p. 205).

Chapter 8 ("Characteristics of foreign direct investment in Thailand"), written by a Japanese economist at a government research institute in Tokyo, studies the recent process of economic development and structural transformation in Thailand as it is driven by inward FDI. Its analysis draws on secondary sources of official statistics prepared by agencies of the Government of Thailand and the Bank of Thailand. It shows that "Japanese investment is large in terms of the amount invested, but relatively small in terms of the size of the work force employed. Taiwan, however, presents the opposite picture in that it has tended to concentrate on labour-intensive industries that require comparatively little investment to operate" (p. 245). Had this chapter been assigned to a Thai scholar, the host country's own perspective and a more critical analysis might have been presented, making the book more exciting and useful to the reader.

Chapter 9 ("Japanese firms with direct investments in China and their local management"), written by a Chinese scholar, presents statistical data on Japanese investments in China, and explores the managerial conflicts between Japanese investors and Chinese partners. One observation that matches the theme of chapter 5 is that Japanese investments are heavily (as much as 36.5 per cent) dependent on local funds: "it appears that the Japanese partners try every means possible to make use of local funds in

China, especially for the working capital of enterprises.... The Chinese partners of some joint ventures have questioned whether China sets up joint ventures to use Japanese capital or lets Japanese firms use China's" (p. 266).

With respect to technology transfers, usually a bone of contention between the two sides, the author gives a realistic assessment: "it appears that the Chinese must further improve their understanding of the value of intellectual property and try to distinguish and evaluate technology and acquire relevant information about technology on the international market. It is also hoped that the Japanese partners will give full consideration to the joint or cooperative ventures' potential and their future production capacity and take measures to, for example, associate technology transfer with compensatory trade" (p. 265).

On the whole, the book provides some factual (data-based) glimpses into the investment relationships between Malaysia, Thailand and China, on the one hand, and Japan on the other. But its different chapters remain rather as separate expositions without any strong common theoretical framework that can hold them together. The only theory of FDI mentioned is Raymond Vernon's product-cycle theory of FDI (p. vii); it is mentioned only once and is never followed up in the rest of the book. The analyses presented are thus totally devoid of—and secluded from—the mainstream economic analysis of FDI. A summary and concluding chapter might have helped reveal the common threads hidden in the book's different chapters. Updating the statistics prior to its publication would also have surely strengthened the value of the book. ■

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Multinational Enterprises and the Global Economy
John H. Dunning
(Addison Wesley, Wokingham, United Kingdom, and Reading, Massachusetts, United States, 1993), 687 pages.

In this impressive book, John Dunning set out to present a " 'state of the art' description and appraisal of the *mainstream* writings on the ways in which MNEs interact with the global economy" (italics added for emphasis) (p. xiii), couched within the framework of the eclectic paradigm of international production. Dunning has succeeded admirably, and what has emerged is a volume that reflects the author's encyclopaedic knowledge of the world of transnational corporations (TNCs) and the associated literature, much derived from Dunning's own research. Sections of the book will be familiar to many readers, drawn as they are from earlier publications of his own; but there is also a great deal of new material. The synthesis and integration of a vast body of literature will make this volume an essential source book for students and researchers of TNCs.

Multinational Enterprises and the Global Economy is composed of 22 chapters and is divided into five parts. Part I is entitled "Facts, theory and history" and includes definitions, patterns, motives, theories and empirical studies on the determinants of TNC activity. Within this, chapter 4, which reviews some of the economic and behavioural explanations for the existence and growth of TNCs, is crucial, since, *inter alia*, it summarizes the eclectic paradigm that provides the conceptual framework for the whole book. Surprisingly, this chapter is disappointing, perhaps lacking in some freshness. While the book's focus on mainstream writings is understandable, it would have been useful — at least at this point — to highlight some alternative radical approaches; the TNC is surrounded by controversy, and it is important to be aware of different ways of viewing it and its associated impacts. Part II is entitled "Inside the multinational enterprise", with chapters on entry and expansion strategies and the organization of TNC activity, including a brief discussion on strategic business alliances. Although writers in the management field have been chiefly responsible for advances in research in this area, economists have perhaps made more of a contribution than Dunning recognizes in those chapters. Parts III and IV are the most interesting and valuable sections, and the ten chapters in Part III, "The impact of MNE activity", provide an extraordinarily impressive review of work in the area. Aside from discussions on employment, the balance of payments, market structure, linkages and spill-over effects of TNCs, the two chapters on technology and innovatory capacity from host- and home-country perspectives are very stimulating. While it is possible to see positive associations between TNCs, technology and economic growth in the early stages of development, from the viewpoint of countries at the innovation-driven stage, there is genuine concern, as Dunning reveals, as to whether TNCs encourage or inhibit technological development; this is an issue that will occupy the minds of writers and researchers in the 1990s. Within Part III, the chapter on the international division of labour and economic integration is extremely useful, with the discussion on the European Community and free trade agreements in North America and developing countries giving the book something of the country "feel" that it generally lacks, and also highlighting the company-country dynamics. The overall framework for this impact section, which links the eclectic paradigm with Porter's diamond of competitive advantages and the environmental/systems/policy paradigm of country-specific characteristics, should stimulate further thought and research. Part IV of the book summarizes the implications for policy at supra-national and national levels, and Part V, "Looking forward", comments on contemporary developments, including technological advances, economic development, new organizational forms and the role of government. In ending this major work, Dunning muses on the future: ". . . as and when the world takes on the characteristics of a global village, and as and when labour as well as capital and technology become mobile across national boundaries, then will the distinctions of the MNE, *qua* MNE, become less meaningful and, indeed, less relevant for national policy makers" (p. 616).

In looking at this book as a whole, there are several points worthy of comment. First, it is perhaps surprising that Dunning has opted to continue with the conventional definition of a TNC as "an enterprise that engages in foreign direct investment (FDI) and owns or controls value-adding activities in more than one country" (p. 3), especially when he himself has suggested that the TNC is increasingly assuming the role of "an orchestrator of a set of geographically dispersed, but interdependent assets". Dunning (1991) and R. Grosse and J. N. Behrman (1992) have suggested a new term, international contractor, to describe the TNC of the 1990s. Moreover, size and geographical spread are undoubtedly key issues, given that the largest 500 or so TNCs account for around four fifths of international production. Use of a different definition would have meant a totally different book, of course, but in an era when internationalization is the norm for many companies of many nationalities, it has to be questioned whether, even today, a focus on "foreignness" *per se* is especially relevant.

On a related point, one wonders whether in future more emphasis will be placed on trade and investment issues together, given their symbiotic relationship. The links emerge clearly in current GATT discussions on services, trade-related investment measures and trade-related intellectual property measures, as well as in the growth of investment-review mechanisms patterned on the trade-policy review mechanism of GATT.

In reading the early part of the volume, this reviewer had the feeling that the use of the eclectic framework throughout was very constraining. In fact, it was useful in providing a consistent and coherent approach, although, reiterating a point made earlier, it would have been helpful to get alternative views on occasion to illustrate controversy and generate excitement. The book might usefully have included more conceptual and theoretical work, and perhaps extended some of the economic analysis.

The reviews of empirical work in this volume are very extensive, with illustrations drawn from many countries. As always, there are issues concerning choice of material and the ability to draw conclusions from very diverse situations. Questions of nationality did not emerge very strongly, either from a company or a country perspective, and, as the major home and host to TNCs, more attention might have been paid to the United States (also relevant to the marketing of the book).

Taking the above points into account would have lengthened the book, and the reduced coherence that might have resulted would have had to be balanced against a possibly greater stimulus. As it stands, *Multinational Enterprises and the Global Economy* is a very comprehensive and impressive book, accompanied by a full list of references, as well as an author and a subject index, which all of us in the international business will benefit from reading carefully. ■

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