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Preface

This issue of *Transnational Corporations* is published on the occasion of the twentieth anniversary of the Commission on Transnational Corporations, a subsidiary body of the United Nations Economic and Social Council. The Commission is the intergovernmental focal point within the United Nations system for all matters related to foreign direct investment and transnational corporations. Its secretariat is the UNCTAD Division on Transnational Corporations and Investment. In the past, the Programme on Transnational Corporations was carried out by the United Nations Centre on Transnational Corporations (1975-1992) and by the Transnational Corporations and Management Division of the United Nations Department of Economic and Social Development (1992-1993).

Over the past two decades, the debates during the sessions of the Commission have mirrored the evolution of attitudes towards transnational corporations against the backdrop of a globalizing economy that is changing rapidly towards greater openness and interdependence. The article by Charles-Albert Michalet highlights the changes in the international economic system and describes the role of transnational corporations as agents of that transformation. In that context, John H. Dunning reappraises the benefits associated with the activities of foreign affiliates in terms of their contribution to the competitiveness of host countries. By emphasizing the contribution of these activities to the upgrading of the competitive advantages of host countries and by identifying the conditions that allow them to maximize that contribution, Dunning sheds new light on the impact of foreign direct investment on economic growth and development. Against this background, John Stopford argues that the renewed emphasis on transnational corporations as agents of development should not be viewed as diminishing the role of Governments. Indeed, Governments of host countries have an important role to play in facilitating the conduct of international business transactions and maximizing the benefits associated with them.

The clustering of foreign direct investment, be it driven by policies or the actions of transnational corporations, has contributed to the growing integration of countries in North America (in the framework of the North American Free Trade Agreement (NAFTA)) and East and South-East Asia. The provisions of NAFTA regarding foreign direct investment are analysed by Michael Gestrin and Alan Rugman. Taking the reverse approach, Carlos Primo Braga and Geoffrey Bannister look at how foreign direct investment drives the process of integration in East and South-East Asia. Braga and Bannister stress that the proliferation of cross-border linkages associated with the activities of transnational corporations helps integrate the production structures of countries, even in the absence of formal integration schemes.

In an effort to bring together the most distinguished articles in the literature on transnational corporations, Routledge — on behalf of UNCTAD Division on Transnational Corporations and Investment — has published the *United Nations Library on Transnational Corporations*, comprising twenty volumes each covering a key subject relating to transnational corporations. In reviewing the *Library*, Raymond Vernon provides an assessment of the state of the field and observes that changes in the structure of the international economic system attributed to the activities of transnational corporations necessitate a renewed perspective of all economic transactions — a paradigm shift.

In today's world economy, the market system is widely accepted as the principal governing mechanism of economic transactions. This implies paying closer attention to the actors interacting in that system and the implications of their actions. Increasingly, those actors are privately owned firms, many of which are transnational corporations. Over the past twenty years, considerable progress has been made in understanding the behaviour of these corporations and the implications for economic development. Today's world economy, however, raises new challenges and opportunities for both Governments and transnational corporations and provides a new background against which the contribution of these corporations to economic development can be maximized. Over the next twenty years, research on foreign direct investment will seek to shed new light on these issues.

Geneva, April 1994

The Editors