

MILLENNIUM

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INTRODUCTION

Lorraine Eden

Since 1991 is the twentieth anniversary of *Millennium* and Raymond Vernon's *Sovereignty at Bay*, this special section devoted to the changing relationships between states and multinational enterprises (MNEs) is a felicitous opportunity to celebrate two important events in international studies. The articles in this section deal with changing state-MNE relationships, both co-operative and conflicting, over the 1980s and the research and policy agendas these imply for the 1990s. As Vernon says in his introductory piece, "[MNEs and states are] two systems ... each legitimated by popular consent, each potentially useful to the other, yet each containing features antagonistic to the other."

Four themes emerge clearly in this section. The first theme, co-operation versus confrontation in MNE-state relations, traces its origins to *Sovereignty at Bay*. Some authors see inescapable tensions in future MNE-state relations. Vernon argues that points of friction, such as defining the rights and assessing the domestic obligations of increasingly globalised businesses, will persist. Lall sees the failure of MNEs to develop indigenous technology within developing countries as causing new state-MNE tensions. Vernon calls for multilateral approaches to ease conflicts; Lall sees the need for more efficient, but still interventionist, state controls to reduce market failures caused by foreign-owned firms.

On the other hand, Dunning and Strange suggest a move to more co-operative relations. Dunning sees a symbiotic relationship between governments, hierarchies and markets emerging in the 1990s. Strange contends that states and firms must better understand the web of international bargains that links them – each needs to have more respect for the other – and, in contrast to Lall, she argues that saddling MNEs with controls will damage the long run health of developing countries. Acheson and Maule assert that confrontation and co-operation both characterize MNE-state relations in the international film industry since states subsidise propaganda films and measures to counteract fears of US cultural hegemony.

The second theme is the influence of structural changes on MNE-state relations. Strange argues that the underlying production, technology and financial structures of the economy are changing, altering MNE location strategies and state responses, and pressuring firms and states to negotiate with one another. McMillan shows how structural changes in Eastern Europe are affecting the location of MNE investments. Kaplinski asserts that post-Fordism is causing changes in the economics and politics of location, creating new alternative organisational forms to the MNE, reducing the need for Least Developing

Countries (LDC) export platforms, and giving new impetus to market-oriented foreign investment. Dunning and Eden argue that contractual complexity and network relationships for research and development are causing new organisational structures of multinationals; however, Acheson and Maule note that these networks have been present from the outset in the film industry.

The third theme is the call for more interdisciplinary work on MNE-state relations. Eden and Strange argue that the firm must be brought back into international relations theory. Scholars have for too long treated the MNE as a black box, something to be ignored or treated superficially. Strange declares that international relations theorists are "Flat Earthers", pretending that inter-state relations are the only ones that matter. She suggests that solving puzzles in international relations requires putting the MNE and the state at the center of theory. Eden contends that a clearer focus on the firm as an institutional actor with goals, strategies and structures is required.

Casson, on the other hand, argues that developing an integrated socio-cultural theory of the MNE should be on the top of the research agenda for the 1990s. Broadening the theory of the MNE in international business studies to incorporate insights from other social sciences is key to understanding differences in organizational performance across countries. Eden, Strange and Dunning all suggest that international business has treated the state as a black box, much in the same way as international relations has ignored the firm, and that more attention must be paid to politics within the theory of the MNE.

The last theme is the contributions Raymond Vernon has made to the study of multinationals and MNE-state relations. *Sovereignty at Bay* contains three important ideas that have dominated the treatment of MNEs in international relations theory: sovereignty at bay, the product life cycle and the obsolescing bargain. Ten scholars, all trained as economists, have – jokes about economists to the contrary – reached one conclusion – and in a journal normally devoted to political scientists: the importance of Vernon's work on multinationals given the need to bring the firm back into international relations theory.

In conclusion, these articles offer a rich menu of theory and policy options that need to be pursued as we attempt to better understand and manage state-multinational relations in the 1990s – a deserved celebration of two important anniversaries in international relations.