

*East Meets West: A Glimpse of the Globalization and Internationalization of
Innovation and Discovery*

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Abstract

Whether be the politicians, businessmen or academics, “globalization” is such a term that is largely used by everyone in the discourse of development. In McLuhanian view, the result of advent of electronic media can be seen as the creation of "global village". In contemporary political and academic sphere, globalization stands for little more than a synonym for the phenomena like the pursuit of classical liberal / free market policies in the era of economic liberalization, the dominance of westernization or Americanization, the Information Revolution, global integration, etc.

The globalization of production technology lies within the native country of different enterprises. For the increasing global segments of industries chain, and the increase in overall knowledge of the economy, the role of globalization is unprecedented. In this framework, the major points have to be discussed.

Moreover, my paper proposes to focus on the role of national borders in totality, and examine the methods or procedures which led to this innovation across industries and countries. For this reason, this paper aims to deal with new facts and points regarding the gradual process of globalization and engaging it with different indicators focusing Foreign Direct Investment (FDI).

Internationalization strategies and trends of the activities which take place in the process of innovation will also be examined in the paper. Before the discussion on the border innovation methods and procedures, important practical and theoretical issues will be given fair attention. Before stressing importance on the major policies and their dimensions and instructions for future innovations and discoveries, this paper also throws some light on Global technological issues which have become key factors on the horizon of world economy, polity, and geopolitics, and brought paradigm shift.

Keywords: Globalization, Internationalization, Enterprises, technology, Foreign Direct Investment, international policies

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Introduction

The paper seeks to explain globalization as a harbinger of the West and the East not only in economic and commercial terms but also with respect to policy formulation and political strategies. The thrust of the argument is that communication revolution and technological innovations have bridged the gap between various nation states reducing the World into a global village with the pace with which globalization is marching ahead, the day is not far when the World is bound to witness a single 'global community' where different values can legitimately contest one another in order to evolve a consensus in the larger interest of humanity.

The advent of globalization has altered the entire gamut of international dynamics. The hitherto division of the globe as East verses West remains no more a reality. The cold war has gone, Berlin wall demolished and the entire world has turned 'flat'¹. States no more remain sovereign in the strict sense of the term as constant inter-state penetration of economic, cultural and political forces have become the order of the day. Scientists have already begun speculating that the day is not far when Sun may rise from the West. The beginning of the process of fusion between the East and the West are to be found in the process of globalization that began in the 1990s that saw the demise of the cold war and the coming together of the East-West ideological blocks.

Perhaps it may not be an exaggeration to postulate that the evolution and growth of global societies is marked by the processes of fission and fusion. The past centuries saw the state of fission whereby the global societies were fragmented into different nation states, representing a variety of cultures, governing strategies and living styles. Nevertheless, the beginning of 21st century witnessed the beginning of the process of global fusion following the onset of the process of globalization.

Historiography and Growth

In the realm of historiography the roots of globalization can be traced to the pre-World War I period of 1870 to 1914 that witnessed rapid integration of the economies in terms of trade flows, movement of capital and migration of people. The rise of globalization was largely led by technological advances in the fields of transport and communication. The geographical boundaries were marked by very few barriers for the flow of trade and people even without passports and visa requirements.

According to McLuhan², the result of the advent of electronic media can be seen as the creation of "global village". In contemporary political and academic sphere, globalization stands for little more than a synonym for the phenomena like the pursuit of classical liberal / free market policies in the era of economic liberalisation, the dominance of westernisation or Americanisation, the Information Revolution, global integration, etc.

Nonetheless, the period between the first and the Second World War generated restrictions for the free movement of goods and services as the nations believed that

¹ Friedman, Thomas L.(2005), *The World Is Flat: The Globalized World in the Twenty-First Century*, Farrar, USA

² http://www.livinginternet.com/i/ii_mcluhan.htm

they can thrive better under high protective walls. However in the post World War II phase the nation states realized that isolation is not an appropriate option for the growth and development of the nations. As a matter of fact, the underlying philosophy of globalization has been to create a situation where nations and people all over the globe get closer with a spirit of accommodation for their overall prosperity. Although globalization is an ongoing process to realize a global village bringing together the differentiations of East v/s the West and North v/s the South, it has added many innovations and dynamics in present day international relations leading to increased market access, increased access to capital and increased access to technology and information eventually, resulting into income and employment opportunities.

Today, globalization has become a buzz word. Many pursue it as a new world order devoid of barriers or with porous barriers while the critics refer it as a spell of doom and a new incarnation (avatar) of imperialism or the highest stage of modern capitalism. In a realistic sense globalization implies integration of economies and societies heralding towards a global polity.

It is a misnomer to treat globalization as a 21st century phenomenon. It is as old as history involving cross migration of people across the great land masses. 21st century has only facilitated such migrations and resultant integration through innovations in communication technologies and transport revolution that shrunk the geographical distances in a tremendous manner. While economic, social and political developments in various countries impacts on the firms, economic and national policies, employment markets and individual enterprises, however the growing interdependence of locations and economic units across countries lead to employment opportunities across frontiers.

Trade relations involving people's mobility and migration leading to integration of cultures constitutes the background. During the period of the Roman Empire, the Persian Empire and Chinese dynasty, traces of West getting closer to the East can be found when the silk route starting from china reached the frontier of the Persian Empire and extended upto the Roman Empire. Similarly, the silk route facilitated Muslim merchants not only to export commodities but to export knowledge and technology thus integrating the Muslim world with that of the Mongolian Empire. The Portuguese, the Spanish during the 16th and 17th centuries through their commercial activities brought Europe closer to the Eastern World. In the same vein Pax Romana, Pax Ottoman and Pax Britannica contributed their mite in promoting East West proximity in the 19th century.

Although the process of global integration, globalization in a loose sense of the term, was accelerated in the aftermath of the industrial revolution, nevertheless the two World Wars and the rivalry between USA and USSR resulting into virtual demarcation and competition between the West and the East radically halted the process of global integration. Helsinki heralded a new hope to revisit globalization/global integration where a general agreement on economy, security, trade, energy and humanity between the two blocks was worked out. Subsequently the Belgrade summit of 1977-1978 followed by Madrid summit 1980-1983, Vienna conference 1986-1989 and Paris conference 1990 held between the two powers strengthened the prospects of East- West integration. Further, Copenhagen 1990, Moscow 1991, Prague-Vienna 1992 all added to the easing of tension between the cold War partners thereby paving

smooth way for commercial and economic mobility between the West and the East. The end of cold War leading to emergence of liberalization in Global economy heralded a new epoch in global order that culminated into the process of Globalization.

Scholars document several stages of evolution and growth of the process of globalization. A commonly accepted formulation includes three stages:

Stages	First Stage 1490	Second Stage 1890	Third Stage 1990
Impulse	Nautical developments	Industrialization and its requirements	Multi-National Companies in 1970s, Communication Reform in 1980s, Disappearance of Competitors of the West in 1990s
Process	Profit and then military occupation	Evangelists, then explorers, then companies and finally occupation	Cultural-Ideological effect, therefore countrywide spontaneous effect
Medium	To get the God's religion to the pagans	Burden of the white man, humane mission, racist theories	Highest level of civilization, governance of international community, "invisible hand" of the market, globalization: for everyone's interest
Political Structure	<i>Empires and Colonization</i>	<i>Nation States</i>	<i>Regional and Economic Integrations</i>
Result	<i>Colonialism</i>	<i>Imperialism</i>	<i>Globalization</i>

Source: Yaman, 2001.³

The first stage 1490 that lasted for over four centuries is attributed to the scientific discoveries and innovation in the western world that prompted the establishment of colonial empires.

The second stage spreading for over a century from 1890 to 1990 in the wake of industrial revolution created imbalances between the industrializing West and traditional rest of the World. It established western domination in market competition at the same time exploitation of raw resources in the colonized world. In fact growing colonial domination was also one of the causes of the First World War. The situation was further altered after the Second World War when a new balance of forces emerged and colonial domination yielded place to the process of decolonization leading to the rise of what has come to be known as the Third World.

³Yaman, Süleyman (2001), "Küreselleşmenin Tarihi Gelişimi" [Available at <http://w3.gazi.edu.tr/web/syaman/kuresellesme2.htm>], (Accessed 3.01.2017).
[<http://foustat.nifustep.no/nifu/?language=en>], (Accessed 3.01.2017).
[<http://www.iom.int/jahia/Jahia/pid/255>], (Accessed 3.01.2017).

The third stage beginning 1990 to a great extent resolved the imbalances crept in during the first two stages as a result of internecine conflicts among independent decolonized states in the wake of their competition for development and growth. The third stage witnessed the rise of two powerful blocks engaged not only in ideological conflicts but at the same time a war for economic supremacy giving rise to the emergence of a large number of MNCs struggling to monopolize global resources. This stage also provided a competitive market for the weaker states of the third World. The collapse of the Soviet Union in the back drop of perestroika and glasnost reforms and Fukuyama's propositions of the unabashed march of capitalism provided a solid background for the IMF and the World Bank to prescribe liberalization reforms consequently leading to the rise of globalization.

Internationalization

Today globalization has become both a description as well as a prescription and as such it serves as both a process and an ideology for policy reforms. As a process, "globalization refers to the widening and deepening of the international flow of trade, capital, technology and information within a single integrated global market. Like terms such as "the global village," it identifies a complex of changes produced by the dynamics of capitalist development as well as the diffusion of values and cultural practices associated with this development⁴. As a prescription "globalization" involves the liberalization of national and global markets in the belief that free flows of trade, capital and information will produce the best outcome for growth and human welfare⁵. Some scholars look at globalization as a set of interrelated processes inscribed within the structure of operating system⁶, although others conceive it not in structural terms but as the outcome of a consciously pursued strategy, the political project of a transnational capitalist structure set up to serve and advance the interest of this class. As such there is a major divide in analysis and theoretical perspective⁷. Keith Griffin, a well known proponent of Human Development as defined by the UNDP and an advocate of the radical change or social transformation, on the issue of inevitability of engaging the world states into the globalization process argue that such integration and adjustment is both necessary and possible. What is pertinent is how the forces driving the globalization process can be harnessed to serve the requirements of Human Development⁸.

Innovations:

Today globalization has generated new dynamism in the activities of social and political entities. The information revolution coupled with technological advancements completely altered the lifestyle of the globe per se heralding new social relationships, economic interactions, and commercial relations, regulatory and

⁴ UNRISD, *States of Disarray: The Social Effects of Globalization*, UNRISD, Geneva; Kevin Watkins, *Oxfam Poverty Report*, Oxford, Oxfam, 1995

⁵ UNDR, *Human Development: Reports 1992*, New York, Oxford University Press.

⁶ Albrow.M, *The Global Age*, Cambridge, Polity, 1996; Amin S, *The Challenge of Globalization*, *Review of International Political Economy* 3(2) 1996.

⁷ Keith Griffin, *Global Prospects for Development and Human Society*, *Canadian Journal of Development Studies* 6(3), 1995

⁸ Griffin, Keith and Rahman Khan, *Globalization and the Developing Eorld*, Geneva, UNRISD, 1992

governing strategies. Human activities crossed national boundaries and there emerged the process of internationalization of human affairs and activities.

The growth of international innovative activities involves different factors - firms and institutions – and processes. A useful taxonomy proposed by Archibugi and Michie (1995)⁹ identifies three main categories of the globalization of innovation.

⁹Archibugi, D. and Michie, J. (1995) 'The globalisation of technology: A new taxonomy', *Cambridge Journal of Economics*, vol 19, pp. 121-40

A taxonomy of the globalization of innovation

Categories	Actors	Forms
International Exploitation of Nationally Produced Innovations	Profit-seeking (national and multinational) firms and individuals	Exports of innovative goods. Cession of licenses and patents. Foreign production of innovative goods internally designed and developed.
Global Generation of Innovations	MNEs	R&D and innovative activities both in the home and the host countries. Acquisitions of existing R&D laboratories or green-field R&D investment in host countries.
Global Techno-Scientific Collaborations	Universities and Public Research Centres	Joint scientific projects. Scientific exchanges, sabbatical years. International flows of students.
	National and Multinational Firms	Joint-ventures for specific innovative projects. Productive agreements with exchange of technical information and/or equipment.

Source: elaboration on Archibugi and Michie, 1995.

As a matter of fact, technology has become the *sine quo non* of business globalization. It has helped in Technology promotes globalization and international trade by removing the impediments such as trade barriers, lack of common ethical standard, transportation costs and delay in information exchange, and help software experts to work collaboratively over the network with companies from around the world.

The globalization of innovation goes hand in hand with the growth and spread of the MNEs and the importance of FDIs since the Second World War. An inevitable consequence of globalization is that the economy becomes susceptible to the influence of MNCs. By bringing in new technologies, marketing skills, and organizational techniques, MNCs help in restructuring and adding the much needed dynamism to the stagnant indigenous industrial sector.

Though critics vehemently oppose MNCs on the premise of an unfair competitive edge MNCs get over smaller domestic firms thereby driving them out of business and adding further depression to the already dismal employment scenario, however, as *The Economist* observed:

‘Too many governments see foreign investment as a shortcut to prosperity, bringing in skill, capital and technology to push their countries rapidly from the 1950s to the 1990s. Those governments that rely too heavily on multinationals are likely to look for a foreign scapegoat when inflation heads for triple figures, unemployment fails to drop and demonstrators surround the Ministry’. Thus, MNCs contribute significantly to growth in economy first, by supplying the technology and skills needed to supplement local resources and second, by providing access to international markets.

MNCs are closely linked to DFI. It implies buying or building and operating subsidiaries and wholly or partially owned affiliates on foreign countries. DFI has grown spectacularly since 1945. Although the bulk of it has taken place within the developed world, the pattern is beginning to change with the rapid economic growth in the countries of South and East Asia. This trend is embedded in a broader liberalization movement – covering international trade in goods, external financial transactions, transfer of technology, and, more recently, services and some aspects of labour movement – that seeks to enhance economic efficiency through the elimination of market distortions caused by restrictions or discriminatory governmental measures

The FDI Report 2016 documents the investment trends of 2015, based on figures from data service FDI Markets. After a long period of trailing behind China is now racing past its formidable rival India. India was the highest ranked country by capital investment in 2015 with \$63bn-worth of FDI projects announced. Meanwhile, China saw a 23% decline in capital investment and a 16% drop in FDI projects. Asia Pacific remained the leading destination region for FDI in 2015, attracting 45% of all capital investment globally in 2015. Although the number of FDI projects into the region decreased by 7% the total capital investment increased by 29%.

While coal, oil and natural gas has reclaimed its top spot as the largest generator of capital investment globally, with \$113.5bn of announced FDI recorded in 2015, the once hot renewable energy sector is on the rise again, with project numbers increasing by 50% and capital investment reaching \$76bn. This accounts for more than 10% of all capital investment globally last year. Key trends of foreign investments in different parts of the globe can be seen in the Annexure.

Scope:

Globalization has a potential to buttress the freedom of individual by minimizing the state's capacity of operation of his/her ideas and aspirations. It can also expand people's opportunities to acquire knowledge and broaden their horizons by facilitating communication and circulation of ideas. It promotes freedom by strengthening the civil society through wider networking among its actors, using modern information technology. In a nut shell globalization is a comprehensive philosophy and an ideal way of life which is gradually turning the world into a global village, compressing distance, homogenising culture, accelerating mobility and reducing the relevance of political borders.

The phenomenon of globalization, in a swift and a steady manner, is appropriating international relations and entering into the bone and marrow of the social fabric constantly impacting on the economies, cultures, politics and policies in its march to create a synthetic amalgam of diversities called global village or a global unity. Karl Marx, while formulating his theory of class struggle believed that history moving in a dialectic fashion resolves the inherent contradiction in the dominant social order eventually yielding place to a new order of synthesis and in the ultimate analysis the bourgeoisie instrument of exploitation- the state- will wither away to carve a stateless and classless society. The Marxian dream could not materialize as capitalism in the wake of the collapse of its what Lenin called highest form 'imperialism' acquired a new cloak called 'globalization'.

Seen in the Marxian perspective, can it be said that globalization in its penultimate march lead to a classless and stateless social order as visualized by Marx? An examination and deeper analysis of the phenomenon of globalization indicates the ultimately it will end up in to a 'global community'. This evolutionary process towards global community discerns the following:

- Interconnectedness between states, sub-states and non states actors
- Interaction between sub national system and their counterparts in other states and other non state actors beyond the borders of the nation state
- Interlocking network of global regulations where organizations of private and non state also participate
- A sense of 'community' perceptibly developing beyond the confines of the nation state with the underlying consciousness that the World is a single place where diverse values can be consensually homogenised
- The hope to get a global space for democratically articulating grievances

Conclusion

Critics of globalization argue that globalization has undermined the sovereignty of nation-states due to the growing number of powerful supranational/supraterritorial forces and ventilated problems such as climate change, MNCs, terrorism, international non-governmental organizations, new communication technologies etc. The counter argument being nation-state is still important and sovereign states continue to operate in an international system rather than a truly global with nation-state losing identity. The rise of China, emergence of right extremism in Europe, the role of the G8/G20 in influencing international relations, conflicts of interest between the US, Russia, Iran, North Korea. China and a host of others, all point to the

continuing pro-active role of nation-states. As such there is no decline in the importance of nation-state, instead, nation-states are undergoing transformation in tune with the requirements of globalization and its complexities.

The doctrine of state sovereignty is a multi-dimensional phenomenon that coalesces into a unity in different degrees. The principles equality between states and non-intervention in matters that are essentially seen as domestic matter are the fundamental basis for dealing with International affairs. At the practical plane International mutual cooperation is an essential element in the post-modern era. Issues such as industrial expansion, world economic crises, Human Rights violations, developmental disparities, environment degradations, Terrorism and wars have to be addressed through Cooperative effort.

It is no denying that International relations are moving toward a global redressal model where sovereign states as a collectively has a new role to play.

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Appendix

FDI REPORT 2016

Key trends in 2015 include:

- The number of FDI projects into Africa in 2015 increased by 6%.
- Inward investment into the region consisting of Russia, the Commonwealth of Independent States, and Central Eastern and South-Eastern Europe was the only region to witness and increase in FDI across project numbers (6%) capital investment (12%) and job creation (13%).
- India replaced China as the top destination for FDI by capital investment following a year of high-value project announcements, specifically across the coal, oil and natural gas and renewable energy sectors

Asia-Pacific

Key trends in 2015 include:

- While the number of FDI projects into Asia-Pacific decreased by 7%, the total capital investment increased by 29% to \$320.5bn.
- India replaced China as leading recipient of capital investment in Asia-Pacific with announced FDI of \$63bn, as well as an 8% increase in project numbers to 697.
- China suffered a 23% decline in capital investment and a 16% drop in FDI projects.
- FDI into Indonesia by capital investment increased by 130% to \$38.5bn as a result of multiple metals, chemicals and coal, oil and natural gas projects.
- Pakistan increased its capital investment figure by 147% to \$18.9bn backed by energy-related major investments, including Rostec's plans to invest in a \$2.5bn gas pipeline.
- The top three countries for capital investment, namely India, China and Indonesia, accounted for almost half (49%) of FDI in the region.
- The total number of FDI projects out of Asia-Pacific decreased by 1% to 2802, which was offset by a 13% increase in capital investment.
- Outward capital investment from China decreased by 10%, while project numbers increased by 7% to 486.

Europe

Key trends in 2015 include:

- FDI into Europe by project numbers fell by nearly 9% in 2015, following on from a decline in 2014.
- The UK and Ireland both witnessed increases in FDI, with project numbers rising 3% and 4%, respectively.
- FDI into Finland by project numbers rose by 23% in 2015, reaching 127 announced projects.
- The Czech Republic experienced an increase in FDI across project numbers (33%), capital investment (54%) and jobs (36%).

- The number of recorded projects in France and Spain continued to decline in 2015, falling 1% and 19%, respectively. However, the amount of capital invested in the countries has increased by a respective 24% and 13%.
- Turkey gained momentum in 2015 with project numbers rising 47% to 147 and capital investment reaching \$5.8bn.
- Capital investment in Serbia almost doubled to \$4.4bn following a United Arab Emirates-based real estate investor committing to jointly invest \$3bn in the country.
- Despite Europe declining as a source of FDI projects, capital investment from the region increased 7% to \$258.5bn.
- Companies from the UK, Germany and France collectively account for more than 50% of FDI projects from the region.

North America

Key trends in 2015 include:

- FDI into North America increased in 2015 by nearly 10%, with total inward capital investment of \$68.8bn. Project numbers declined by 6% to 1734 FDI projects.
- The US was the top destination in the region, with 88% of the continent's FDI projects and 87% of capital invested.
- The top Canadian state for FDI in 2015 was Ontario, as it was in 2014, with 6% market share of North American FDI projects.
- The top three states for outward capital investment were California, New York and Texas, which invested \$15.9bn, \$14.4bn and \$12bn, respectively.
- Texas, which ranked sixth in 2014, rose to become the third most prolific outward investor in 2015.
- Canadian provinces are represented twice in the top 10 table for outward FDI, with Ontario accounting for 8% of outward capital investment and Alberta ranking 10th, accounting for a further 4%.

Latin America and Caribbean

Key trends in 2015 include:

- FDI into Latin America by capital investment dropped in 2015 to \$70.2bn with 13% fewer projects. The number of jobs created by FDI in the region increased, however, by 4% to 237,277.
- The top three destination countries for FDI by capital investment in the region were Mexico, Brazil and Chile, which attracted \$24.3bn, \$17.3bn and \$9.7bn, respectively.
- Brazil managed to maintain its capital investment levels in 2015 with a decline of only 0.2% despite a 17% decline in the number of FDI projects to 268. A decline across the region as a whole has allowed Brazil to increase its market share from 19% of total inward capital investment to 25%.
- The value of FDI destined for Jamaica increased 175% in 2015 with project numbers increasing by 27%.
- Puerto Rico experienced a decline in FDI projects (45%) and capital investment (73%) in 2015.

Middle East and Africa

Key trends in 2015 include:

- FDI into the Middle East and Africa by project numbers increased by 0.6% in 2015.
- The United Arab Emirates retained its position as the top FDI destination by project numbers, accounting for 24% of projects.
- Bahrain recorded strong inward FDI growth during 2015, entering the top 10 by project numbers for the first time since 2012. It also saw a 143% increase in outbound projects.
- Capital investment in Uganda rose to \$4.6bn following a joint investment in the coal, oil and natural gas sector by a Russia-based investor.
- Africa recorded 156 more FDI projects than the Middle East in 2015, a figure that has widened by 98% compared with 2014. It also continued to dominate job creation with 95,387 more jobs created than in the Middle East.
- South Africa was the top African destination for inward FDI by project numbers, continuing a long-term trend.
- Saudi Arabia was the top country by capital investment in the Middle East, with \$9.8bn recorded in 2015.
- The Middle East and Africa region was responsible for \$59.8bn in outward capital investment, up 54% on 2014.

Sector analysis

Key trends in 2015 include:

- Coal, oil and natural gas has reclaimed its top spot for FDI by capital investment globally, with \$113.5bn of announced FDI recorded in 2015.
- Real estate continues to recover in 2015, with FDI project numbers up 6% and capital investment up 17% to \$96.6bn.
- Within the top five sectors by project numbers, business services was the only sector to witness growth, with 1413 projects recorded in 2015.
- FDI into aerospace rose marginally, with 154 projects recorded at a value of \$5.8bn.
- Financial services experienced one of the biggest declines, with project numbers falling 29%.
- Investment into the software and IT services and communications sectors dropped in 2015, with capital investment figures falling to \$22bn and \$46.2bn, respectively, mirroring the decline in project numbers.