

complete products by their customers. Everything from automobiles, to clothing, to consumer electronics now works this way and much of the organizational support for these new forms of collaboration and competition is electronic based – software programmes are written jointly by Hewlett Packard engineers in the United States and India; designs for new clothing products are faxed or emailed around the world so customers and suppliers can work together on modifications and when finalized they are sent to computerized machinery that make up patterns and cut pieces automatically. New satellite communications then spread the word of new products to a world-wide audience.

While on the one hand, firms have become more linked into global R&D, production and marketing networks, recent studies have shown that to sustain the competitiveness of individual firms, a wide array of domestic linkages between users and producers and between the knowledge producing sector –universities, R&D institutions and the goods and services producing sectors of an economy are required. Still other studies have pointed to the important role that political and social institutions and policies play in stimulating the kinds of externalities that enable small and medium-sized firms to become part of broader systems of innovation and production at local, regional and national levels as a support to the development of international partnering activity.

As locational advantages such as those enjoyed by Japanese supplier networks or the firms in Silicon Valley came to be viewed as critical for development, governments at all levels- -municipal, regional, national and quasi-supra-national, such as the European Union, began to directly promote inter-firm collaborative agreements, especially in R&D and to encourage linkages between firms and local universities. Curiously and in a somewhat contradictory fashion, governments also recast their conception of the competitiveness of nations in more mercantilist terms, that is, as the