

a competitive market comes from abroad. It competes well against world leaders such as France's Lafarge Coppé and Switzerland's Holderbank.

Internalization

The theory of internalization can be viewed as an extension of the theory of competitive advantage. MNCs react to changes in their environment and act to shape their environment to make it more advantageous to themselves. According to Rugman and Gestrin (1993: 21), internalization is one of the managerial strategies adopted by MNCs to obtain ownership of know-how advantage which becomes essentially firm specific advantage (FSA). MNCs may achieve this goal by generating assets through undertaking R&D activities at their own facilities, acquiring a firm that already owns these assets or collaborating with another firm to jointly develop them (Dunning and Narula 1995: 23). These FSAs, which can enhance firms' competitiveness, further encourage MNCs to seek worldwide markets through the process of FDI. The intangible capital that makes it advantageous for MNCs to extend their operations internationally may also make them more likely to dominate the markets in which they operate (Caves 1982: 27).

Once MNCs can establish these FSAs, they will maintain proprietary control over them so that the economic rents associated with these advantages do not accrue to other firms. Not only can MNCs internalize their FSAs, they can also internalize country-specific advantages (CSAs) that are the advantages of national economies. Thus comparative advantage is a "territorial" concept, applicable to regions, countries, etc.; it is not a "national" concept. Theoretically, CSAs are generated from natural factor endowments such as labor, natural resources, and capital within national boundaries. But in today's global marketplace, national and multinational government policies such as NAFTA can influence CSAs. Therefore, internalization theory serves to explain and