

1. INTRODUCTION

The emergence of global multinational enterprises and the integration of national economic systems have strong implications for international trade and economic policy for Canada. Some traditional policy instruments are being rendered ineffective by globalization and the new inter-dependence of international and domestic policies. Nonetheless, the challenge of forming responsive, rational and efficient trade and investment policies must be met. New attitudes need to respond to new realities, as the definition of national interests continues to evolve.

Although globalization is often touted to be an all-encompassing and rapidly growing phenomenon, some authors challenge this perspective.¹ Globalization as a process began as early as the late 1800s, with its modern development finding its roots in rapid advances in technology in the post-war period. These technological advances combined with other factors to reinforce globalization. This Paper will not examine the extent of globalization in detail. It will accept that globalization is a force in international economics and will focus on one aspect of the new economic reality: the effects of global strategies of multinational enterprises and FDI on host economies.

After examining the relative "statelessness" of MNEs and reflecting on the lack of empirical evidence concerning this subject, this Paper concludes that it must fail to accept the hypothesis that MNEs are becoming increasingly stateless. More work must be undertaken before this hypothesis can be accepted with any confidence. There exists ample evidence, however, that MNEs have opted for global strategies in profit or market-share maximization which are different from traditional strategies. These global strategies can have unique impacts on host economies and important implications for international trade and economic policies.

Global MNEs affect host country economies in a variety of ways. Trade, investment and R&D activities are all influenced by the presence of foreign-owned affiliates. Whether the presence of these affiliates is positive or negative for the domestic economy is a key issue, empirical by its very nature. Once their effects are determined, it is more clear whether policy should facilitate the activities of foreign affiliates in Canada.

¹For example, K. Christie, *Globalization and Public Policy in Canada: In Search of A Paradigm*, Policy Planning Staff Paper No. 93/01, External Affairs and International Trade Canada, January 1993.