

firms in Europe. Again, the issue of regionalization (in this case, the emergence of more truly integrated European firms) is pertinent both to R&D and, more broadly, for overall firm management.¹⁷ A recent review of the impact of globalization on local and regional competitiveness in a number of OECD countries indicates that globalization, including its foreign direct investment component, tends to reinforce regional specialization and the geographic clustering of production, especially with respect to craft industries, high technology sectors attracted by established sites of science and technology excellence, and certain service industries.¹⁸

The available information on intra-firm trade also does not sustain the view that "stateless" or truly global firms are rapidly emerging. According to 1989 data on the U.S. market, in almost all instances parent firms export more to off-shore affiliates than the reverse, by ratios ranging between two and five to one (U.S. parents to affiliates abroad; foreign parents to affiliates in the U.S.). The ratio for Japanese manufacturers with affiliates elsewhere in the world is three to one.¹⁹ This pattern is consistent with Canadian experience related to trade and investment in the automotive sector with Japan.

Industry leaders in manufacturing and services are actively networking on a global basis. In a number of instances (as a result of the dynamics of a common market and much greater integration to come), more truly European firms (in terms of control as well as operational management) are emerging. Yet U.S. and Japanese firms, while even more globally based operationally, have not become demonstrably more "stateless", while "European" firms will likely remain heavily influenced by the industrial policies of several national governments and the EC Commission. Trade flows and R&D, to highlight the two factors outlined above, remain primarily focussed on the health and welfare of home base.²⁰

¹⁷ Specific examples of more truly integrated European operations can be found in Bartlett and Ghoshal, "Global Manager?" - see their references to Electrolux and Procter & Gamble's European operations; other examples can be found in OECD, *Globalisation of Industrial Activities*, pp. 33 (autos), 137 (semiconductors). The European Commission financially encourages trans-national European R&D cooperation by the private sector through its "Framework Programmes for Community Research and Technological Development".

¹⁸ OECD, "Globalisation and Local and Regional Competitiveness", DSTI/IND/WP6 (92)8/REV1, July 1992.

¹⁹ OECD, "Intra-Firm Trade", paragraphs 34-5.

²⁰ In this regard, the work of Michael Porter on the importance of encouraging in-Canada "home-bases" for transnational corporations seems to me more relevant than Robert Reich's theory of the "stateless" firm.