Introduction

Among the factors that exert influence on international economic relations, foreign direct investment has become increasingly important. This is illustrated by the much faster growth of foreign direct investment, compared to that of both world trade and output, the intensifying efforts of virtually all countries to attract foreign direct investment, including into industries previously barred to foreign investors, and by the increasingly global strategies of transnational corporations. Furthermore, foreign direct investment is not only a factor of economic development in its own right, but it is also closely linked with trade, technology transfer and financial flows. The global pattern of foreign-direct-investment stocks and flows, along with the global patterns of trade, technology transfer and financial flows, constitute, to a large degree, the structural attributes of the world economy.

Changing patterns of world trade, especially during the 1950s and 1960s, led to an increasing share of developed countries and a declining share of developing countries in total trade. Since trade is an engine of economic growth and international competitiveness, the declining share of developing countries became a source of concern. This concern was addressed in multilateral forums. World-wide efforts ensued to reverse those patterns, and changes were introduced in the multilateral trading system, notably through the establishment of preference systems for developing-country exports.

Some recent discussions and analyses of global trade patterns have investigated whether those patterns are characterized by trade blocs or integration groupings which facilitate market access for some countries, while making access more difficult for others. The 1989 *Trade and Development Report* of UNCTAD, for instance, examined "tripolar trade blocs", while the 1990 GATT trade report dealt with, among other things, trade blocs and "trade centres". 1/ This type of analysis has not yet been attempted for global foreign-direct-investment flows, although efforts in this direction have begun, for instance, in a recent analysis by UNCTAD of an "investment-led trading bloc centred around Japan". 2/ Yet, a similar understanding of the global patterns of foreign direct investment is as important as knowledge of trade patterns and has no less important policy implications. Furthermore, such understanding is crucial for meaningful multilateral actions in the area of foreign investment. In particular, the continuing fall in the share of developing countries in global flows points to the need for multilateral responses in the area of foreign direct investment.

Accordingly, the present volume is a first substantial attempt by UNCTC to examine the global structure of foreign direct investment and the policy implications that flow therefrom. It focuses on the role of the Triad (defined here as the United States, the European Community and Japan) in the global pattern of foreign direct investment during the 1980s. Chapter I describes global trends in foreign direct investment (A), where flows reached $196 billion in 1989 and world stock grew to nearly $1.5 trillion, examines patterns in the regional and sectoral distribution of that investment (B and C) and reports on major developments in the area of foreign-direct-investment policy issues, at both the international and national levels (D). Since some four fifths of outward stocks and flows are accounted for by the Triad members, chapter II examines how the relative importance of the individual Triad members has changed during the 1980s (A), how their inter-relationships have developed (B), how the strategies of Japanese transnational corporations are emerging (C) and to what extent developing and Eastern European countries are linked in their foreign-direct-investment relationships to one of the Triad members (D). An effort is made to explain the resulting patterns, including through an analysis of corporate strategies. Chapter III then looks at the interrelationships of foreign direct investment with trade (A), technology (B) and finance (C), in an effort to understand the broader implications for economic growth and development of the spread of international production through the principal integrating agent, the transnational corporation (D). The concluding chapter IV summarizes briefly the discussion so far (A) and raises the issue of governance, both in its national and multilateral dimensions (B), and analyses the implications for developing countries, presenting policy options to improve the flow of foreign direct investment to those countries, with special attention paid to the needs of least developed countries (C).