MULTINATIONAL ENTERPRISES, INSTITUTIONS AND SUSTAINABLE DEVELOPMENT

ISBN:	978-90-77219-38-6
Cover:	Painting by Frédéric Fortanier
Printed by:	FortMedia, Vlaardingen

MULTINATIONAL ENTERPRISES, INSTITUTIONS AND SUSTAINABLE DEVELOPMENT

ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad van doctor

aan de Universiteit van Amsterdam

op gezag van de Rector Magnificus

prof.dr. D.C. van den Boom

ten overstaan van een door het college voor promoties ingestelde

commissie, in het openbaar te verdedigen in de Aula der Universiteit

op donderdag 21 februari 2008, te 14.00 uur

door Fabienne Nadine Fortanier

geboren te Vlaardingen

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10 CONCLUSIONS

10.1 INTRODUCTION

The growth of globalization has been paired with a similar increase in public concern about its effects for sustainable development. In a lively and sometimes even heated debate, proponents and opponents of globalization continue to discuss the implications of globalization for (amongst others) income inequality, labour, the natural environment, risk and economic stability, and the power of the nation state versus other actors. However, it appears that a major part of the disagreements on whether globalization leads to increasing or decreasing sustainable development is caused by differences in definitions of both globalization and development, and by the tendency of the majority of participants in the debate to faultily generalize their research findings on the effects of a partial dimension of globalization to the entire concept.

This dissertation aims to contribute to debate on globalization and development by explicitly focusing on the development effects of economic globalization, and in particular of FDI by MNEs. Development is defined here as sustainable development, including its economic, social and environmental dimensions, following the most recent and increasingly inclusive views on what the concept of development means and implies.

The focus on FDI and MNEs was motivated by several considerations. First, the international investments by MNEs constitute the key characterizing feature of present day globalization compared to previous phases of economic integration. Foreign Direct Investment forms a fundamental linking pin between national economies. In the past decades, FDI has grown faster than international trade and production, meaning that at present, total world FDI stock is equal to nearly a quarter of global GDP. Second, only a few MNEs are responsible for the vast majority of FDI, making MNE strategy an extremely relevant perspective in trying to understand how international investments come about and how they affect the recipient countries. Third, for many countries, specifically developing ones, FDI represents a very important, if not the most important, source of external capital. So the question if, and in what way, FDI contributes to sustainable development, seems to be extremely relevant.

Yet the effects of FDI for sustainable development are still very unclear. Existing empirical studies have resulted in diverging conclusions regarding the impact of FDI on a wide range of dimensions of sustainable development, including inter alia the impact of FDI on domestic investment and productivity of local firms, employment, inequality, and the natural environment. The development effects of FDI appear to depend on both host country characteristics (e.g. thresholds) and the type (e.g. sector) and strategy of the affiliate (and its parent) that enters a host economy.

The existing theories in the disciplines of Development Economics and Development Studies do not offer much solace in the attempt to understand how FDI and MNEs could affect sustainable development. Although we there find a few hints as to how FDI might contribute to development, FDI and MNEs are generally not treated as key influencing variables and theory development on how they could contribute to development is hence rather scarce. But recent approaches to understand and support sustainable development appear to (start to) change this situation. In the late 1990s, the lack of results of development policies based on existing (in the 1980s: neoclassical) theories was paired with increasingly vocal protests by NGOs and activists against the lack of attention by policy makers and international organizations for other dimensions of development than economic growth, and against the disregard for the development process (notably, participation and representation of the people most affected by development policy). As these concerns are addressed, a new perspective on what development is and how it should come about has been brought forward. Dunning (2006, see also Dunning and Fortanier, 2007) described this as a New Development Paradigm (NDP), to reflect the emerging and relatively broad academic and political consensus that more attention needs to be paid to human development, institutions and the development process, as proposed by Nobel-prize winners Amartya Sen, Douglas North and Joseph Stiglitz. The NDP hence broadens the lens through which development problems are studied. This makes the investigation into the determinants of development more complex, but also more relevant and realistic. Three main innovative points are stressed by the New Development Paradigm (Dunning, 2006): firstly, development is seen as highly multifaceted and as encompassing many dimensions in addition to mere economic growth. Secondly, the NDP emphasizes the active role of a range of actors in the development process, including governments, NGOs, international organizations, trade unions, firms in general, and MNEs in particular. Third and finally, the NDP highlights the importance of the context of development, in particular the role of institutions, as shapers of globalization and its effects.

Based on these considerations, three main questions were outlined regarding the effects of the FDI dimension of globalization for sustainable development, that were addressed in this dissertation:

1. *To what extent do the relevant home, host, and international institutions and firm specific factors contribute to explaining FDI and the internationalization of MNEs?*
2. *To what extent does FDI by MNEs contribute to sustainable development, and how is this effect dependent upon the characteristics of FDI?*
3. *What do MNEs actively do themselves to enhance their sustainability impact, and how is this effect dependent upon firm specific characteristics and the institutional setting(s) in which MNEs operate?*

The first question reflects that in order to understand the effects of globalization through FDI and MNEs, one needs to comprehend how globalization can be characterized and how it comes about. The second and third questions address what has been identified in chapter 2 as the passive effects (through 'business as usual') and active effects (through CSR) of MNEs on sustainable development. These three questions formed the basis for the theoretical and empirical work presented in this dissertation. They have been addressed via six empirical papers, preceded by a theoretical chapter reviewing existing evidence on the consequences of MNE activity for economic, social and environmental dimensions of sustainable development. This concluding chapter reviews, combines and integrates the findings of this rather diverse set of papers, and highlights synergies among them.

In section 2 of this chapter, the key findings of each of the empirical papers are briefly summarized, organized by research question. In section 10.3, the six papers are linked to each other via a 'conclusion matrix', so that the links among the findings in the papers are explicitly discussed. Section 10.4 addresses the conclusions with respect to one of the major underlying theme in this dissertation: the role of institutions in shaping economic processes and their effects for sustainable development. Section 10.5 discusses the managerial and policy implications of this dissertation, whereas section 10.6 addresses the limitations of the present study and offers suggestions for further research.

10.2 Addressing the Research Questions and Reviewing the Empirical Evidence

Each of the three central research questions of this dissertation was addressed in two focused empirical papers. The first research question was dealt with in chapters 4 and 5, in the papers on the internationalization trajectories of the largest MNEs worldwide since the 1990s (micro level), and foreign direct investment between countries (macro level). The main focus here was how firm level factors and national and international institutional factors could help explain the internationalization strategies of firms. These two chapters effectively set the stage for the next four papers that dealt with the consequences of such international activity by MNEs for the countries in which they invested. Chapters 6 and 7 addressed the passive effects of MNEs, again both at the macro level (chapter 6) and at the micro level (chapter 7). Analyzing the impact of MNEs on respectively economic growth, and wages and labour conditions, both chapters paid attention to the moderating role of FDI characteristics, that are often shaped by the institutional context in the home countries of these MNEs. Finally, chapters 8 and 9 focused explicitly on the active effects of MNEs, by analyzing what MNEs themselves (say they) do to enhance their social, economic and environmental impact in the countries where they have operations. Chapter 8 addressed primarily what firms have to say about their contribution to the economic dimensions of development, whereas chapter 9 dealt with environmental disclosures. The findings of each of these chapters are reviewed in more detail below.

Research Question 1: Drivers of globalization

The first research question of this dissertation was to what extent home, host, and international institutions and firm specific factors can explain FDI and the internationalization of MNEs. Chapter 4 addressed this question for a set of 233 firms from Europe, Asia and North America for the 1990-2004 period. So far, it remained remarkably unclear how, at the corporate level, firms expand and withdraw their international activities over time, and to what extent different patterns or clusters of strategies can be distinguished among such processes. An important reason for this deficiency has been the difficulty in obtaining reliable and comparable time series of internationalization strategies at the corporate level. Chapter 4 adds to existing research by carefully addressing and correcting the methodological and measurement flaws in the most often-used corporate level indicator of internationalization: the degree of internationalization or foreign share of sales, assets, and employment (FSTS, FATA, and FETE, respectively). The resulting time-series data (at least 10 years of consecutive data had to be available for analysis) were used to calculate 8 variables describing the internationalization of firms over time, such as the mean, growth, and Maitland *et al.*'s (2005) cluster variable. These variables were subsequently factor analyzed to result in four key factors that describe international expansion of firms over time, including the level, growth, volatility, and temporal clustering, of international activities. Hierarchical and non-hierarchical clustering techniques then resulted in 6 trajectories each for the internationalization of sales, assets, and employment. Although these 6 strategies for sales, assets and employment overlap in terminology and main characteristics, this does not necessarily mean that they also overlap within a single firm. In many cases, a single firm combines two or three different internationalization trajectories. And even though there appear to be 'dominant' strategies of internationalization in most countries and sectors, different trajectories could be found in each individual country or sector. This means that although country (home institutions) and sector influence a firm's internationalization strategy and trajectory, they do not determine to what extent and in what way firms expand (or retreat from) their activities abroad.

Whereas chapter 4 focused on (amongst others) national institutions in the home country as drivers of internationalization, chapter 5 dealt primarily with the role of the single international institution that regulates the international investments of MNEs: Bilateral Investment Treaties, and the extent to which such international institutions may substitute for poor domestic institutions in host countries. Empirical research in this area is still very scarce. Analyzing bilateral FDI stock between more than 3000 country dyads for the 1990-2002 period, we found that self-selection effects are very important in explaining the occurrence of BITs and its relationship with FDI. BITs are primarily signed by country pairs that had relatively little FDI between them (obviously in the hope that the BIT would stimulate FDI), resulting in a negative correlation between FDI and BITs. But after controlling for this self-selection, the effects of BITs are distinctly positive. This effect is particularly strong for countries that lacked good quality domestic institutions that allow them to make credible commitments to foreign investors, so that MNEs do not have to fear that regime changes (or an obsolescing bargaining position) will negatively affect their property rights. BITs hereby substitute for domestic institutions. At the same time, BITs are less necessary to stimulate FDI to countries that have unique and scarce locational advantages – notably in natural resources. However, even though this would suggest that all countries should engage in signing BITs at a high rate, the paper also established that the marginal impact of a BIT is reduced if more and more BITs are signed. In the global competition for capital, BITs no longer contribute to a country's locational advantage if all countries have signed similar treaties. This suggests that BITs are primarily an instrument to divert and redirect investment, rather than to increase the total sum of FDI.

In sum, when addressing the research question regarding the determinants of internationalization, it is first of all important to keep in mind that there is not one form of internationalization, but that firms can take very different trajectories with respect to the internationalization of their sales, assets and employment. Home country institutions play an important role in stimulating internationalization, but the wide variety of trajectories among firms from the same country implies that firm-specific factors, such as their sector of activity, also play an important role. The subsequent direction, or exact location, of international activities is affected by factors such as host country market size, resource endowments, trade-openness, distance from the country of origin of FDI, and host country institutions. International institutions – BITs – are however also an important determining factor in directing FDI, and play a particular important role in improving the attractiveness of countries that without such treaties, could not credibly commit to treating investors well.

Research Question 2: The impact of FDI

The second research question of this dissertation was to what extent FDI by MNEs contributes to sustainable development, and how this effect is dependent upon the characteristics of FDI. Empirical evidence on this FDI-development relationship is still very inconclusive, arguably due to the lack of attention for moderating variables in the relationship, such as FDI characteristics or host country context. The two chapters addressing this question focused primarily on the role of the country of origin as an important characteristic of MNEs. Chapter 6 addressed this question by analyzing the different growth consequences of FDI from various countries of origin, using a dataset on bilateral investment stocks from 6 major outward investors towards 71 countries for the 1989-2002 period. Panel data analysis confirmed that the growth consequences of FDI differ by country of origin, and that these country-of-origin effects also vary across host country contexts (including trade openness, instructional quality, and educational attainment). Many of the conclusions that previous studies have drawn on the effect of total FDI, are in fact only entirely applicable for – and given its share in total worldwide FDI, also probably mainly driven by – US FDI. The effect on growth of investments from other countries – notably Japan and the UK, but also France, Germany and the Netherlands – is considerably different from US FDI.

Whereas chapter 6 dealt with the FDI impact issue at the macro or international level, and explored economic consequences, chapter 7 explored micro level evidence for one of the key social dimensions of sustainable development: wages and labour conditions. Analyzing the wages and labour conditions of more than 60,000 Dutch employees, chapter 7 studied both the direct and indirect effect of MNEs. The study is based on cross-sectional data, making it very difficult to disentangle causes and effects. But within the limits of the cross-sectional data, all possibilities to ensure that the findings were not caused by reversed causality were explored.

As regards the direct effects, it was established that working for a foreign firm increases wages, but that effect is more prominent for high-skilled workers (+15 percent) than low-skilled (+1 percent). Although higher wages may reflect higher productivity or premiums or prevent labour migration, working for an MNE was found to be also more demanding: employees work longer working hours, experience more job stress, and especially higher-skilled employees have to work more overtime. Important differences among MNEs were found with respect to their country of origin. Especially the American and Japanese firms appear to transfer their home country practices (influenced by home culture and institutions) to the host country in which they do business. With respect to the indirect effects, the study showed that inward FDI stimulated Dutch firms in the same industry to make better use of their human resources by e.g. investing in training, and to engage in merger to increase the scale of their activities. Inward FDI is positively associated with workforce growth among Dutch firms in the same sector, suggesting technology spillovers, but the benefits of spillovers are mainly concentrated among highly skilled employees. The effect of backward linkages by MNEs is positively associated with low-skilled work force growth, although it also appears that suppliers are pressured to reduce inefficiencies. Forward linkages on the other hand are also not very beneficial. Finally, with respect to outward FDI, the findings indicate that concerns of large scale job relocation due to outward investment are generally unsubstantiated. However, again, the benefits of FDI are concentrated among high-skilled employees.

In sum, the results indicate that the effect of FDI on host countries – and on its home country – is very mixed. It appears that countries with reasonably developed institutions and a qualified workforce benefit most from FDI, even though the threshold above which the effect of FDI becomes positive differs across the various countries of origin of FDI. But also in more developed countries – such as the Netherlands – is the effect of inward FDI not always positive. Although FDI fosters growth, most of the benefits of investment – such as higher wages – appear to be concentrated among the higher educated part of the workforce.

Research Question 3: Active effects of MNEs

The third and final research question of this dissertation was what MNEs do themselves to enhance their sustainability impact, and how such activities are dependent upon firm specific characteristics and the national and international institutional settings in which MNEs operate. Chapters 8 and 9 addressed this question. Partly driven by institutional and stakeholder pressures, firms are increasingly disclosing information about the social, environmental and, very recently, also the economic implications of their activities, in non-financial, 'triple bottom line' reports. In chapter 8, reporting of MNEs on their economic impact was explored. In the literature on CSR, which focuses primarily on social and environmental reporting, this is a hitherto under-addressed issue. Focusing on the three main mechanisms through which MNEs can impact host countries – sheer size, linkages, and skill and technology transfer – we examined in detail what the 250 largest firms worldwide disclose on their economic impact, analyzing the contents of their non-financial reports. The potential drivers of such reporting activities were also explored.

The results indicated that about a quarter of the firms that disclosed non-financial information also reported on their economic impact, although the way in which this was done – i.e., the topics addressed, and level of detail – differed importantly across firms. The overview showed that even single firms can have a tremendous impact on a particular host (or home) economy, especially when indirect effects are taken into consideration as well. Also, the firm level examples showed how something relatively abstract such as technology transfer may work in practice. However, most reporting activities on the economic impact of firms appear to be still on a rather ad hoc basis, focusing on positive examples, which suggests that PR considerations may at least partly explain these activities. The likelihood of reporting differs by region, sector and firm size.

Chapter 9 analyzed the determinants of environmental reporting, focusing in particular on the relationship between the degree and spread of internationalization and environmental disclosures, while giving special attention to the role of home and host institutional pressures and sector peculiarities. So far, the relationship between internationalization and environmental disclosure has received only limited attention. Chapter 9 combined legitimacy, stakeholder and institutional theory, and found that from these perspectives, both a positive and a negative relationship between internationalization and disclosure could be expected. On the one hand, the more complex, dispersed, and heterogeneous institutional and stakeholder context increases the potential of legitimacy spillovers, enhances firm visibility and creates difficulties related to the liability of foreignness, all factors that induce firms to disclose more. On the other hand, geographical break-up of activities reduces the overall size of individual affiliates in each country, and waters down the power of each individual stakeholder. Foreignness may not always be a liability, but also a 'liberty', while large distances between subsidiaries and headquarters can result in interpretation problems in assessing foreign stakeholder salience by management. This would result in lower institutional pressures and hence more limited disclosure of information by MNEs. The hypotheses in chapter 9 suggested that the extent of home and host country institutional pressure is key in deciding which effect dominates. Using a sample consisting of the 250 largest firms worldwide (Fortune Global 250), the paper finds a significantly negative relationship between MNEs' degree of internationalization and environmental disclosure. Internationalization towards countries with high environmental standards only partly mitigates this negative effect. Only for firms in environmentally sensitive sectors from high-standard countries do the benefits of disclosure in terms of legitimacy and reputation seem to outweigh the costs of collecting and disseminating the information in an international context, and could the positive association between internationalization and disclosure as predicted by legitimacy, stakeholder and institutional theory be established. The findings are particularly strong for the degree of internationalization – the effect of the dispersion of international activity on disclosure is not significant.

In sum, and as answer to the research question (RQ3), it can be concluded that MNEs (say that they) do a lot to improve the economic, social and environmental impact of their activities. Environmental reporting has almost become a common practice, with more than half of the Fortune Global 250 disclosing information on their environmental activities. Economic impact reporting is a much more recent phenomenon, yet already a quarter of the firms we analyzed say something on the relative size of their activities in home economies, or disclose how they actively transfer technology and link up with local suppliers. The factors that drive these reporting strategies include sector and company size, but most importantly the extent of pressure in the home country of MNEs. All these factors contribute to the visibility of firms for stakeholders, and – as legitimacy theory suggests – would therefore induce firms to report.

This role of visibility as determinant of reporting, together with the in-depth results of chapter 8 that indicated that firms primarily report on 'best practices' and the results of chapter 9 that with the exception of only the most prominent MNEs, firms can escape the public eye if they invest abroad, suggests that the activities of MNEs to enhance their social, environmental and economic impact, are primarily Public Relations (PR), rather than CSR activities. Reporting does not necessarily also translates to good practice, and one may even expect a negative relationship between CSR practice and reporting, as those firms that face the highest institutional pressures may also have the strongest incentive to try to manage the public opinion. Still, CSR and PR need not be mutually exclusive categories. Stakeholders scrutinize firms for false promises, and pressure firms to report only correct information and to present a balanced picture. Being caught 'lying' can be more detrimental to a company's reputation than not reporting at all. In addition, the information management system necessary to collect the reported data represents a significant investment that demonstrates a commitment to social and environmental responsible behaviour. Yet, the link between CSR practices and reporting requires further inquiry.

As a final conclusion, there is much overlap between the kinds of firms that engage in either economic or environmental reporting, for example by size, by region of origin, or by sector. Firms engaged in CSR reporting apparently often take a holistic view and address a variety of different dimensions of CSR. This would imply that for example the conclusions that were reached for the role of home and host institutional context as drivers for environmental reporting, would likely apply to economic impact reporting as well.

10.3 LINKING CONCLUSIONS: SYNERGY AMONG DISCREET FINDINGS

The six empirical papers that formed the core of this dissertation discussed a wide range of different topics, which may appear difficult to link, let alone integrate. For example, to what extent can conclusions on Bilateral Investment Treaties contribute to our understanding the disclosure of environmental information by firms? Or how does a firm's internationalization trajectory relate to its effect on wages and labour conditions in the Dutch economy? Though perhaps not for all the combinations of papers relevant joint conclusions can be obtained, the findings of each paper in this dissertation links directly or indirectly to the others and could in combination at least suggests interesting additional research questions. As displayed in table 10.1, a total of 15 (5+4+3+2+1) different pairs of papers can be identified. Three of these pairs have already been addressed above in the conclusions for the individual research questions. The conclusions and ideas for further research that can be derived from the other 12 possible combinations of findings are elaborated below.

Table 10.1 A matrix of conclusions

	Ch.4	Ch.5	Ch.6	Ch.7	Ch.8
Ch.4 – Internationalization trajectories	-	-	-	-	-
Ch.5 – BITs	RQ1	-	-	-	-
Ch.6 – Economic effects (by origin)	A	E	-	-	-
Ch.7 – Wage and labour effects	B	F	RQ2	-	-
Ch.8 – Economic reporting	C	G	I	K	-
Ch.9 – Environmental disclosure	D	H	J	L	RQ3

Internationalization and economic effects (A)

The first set of papers identified in table 10.1 is the combination of the internationalization trajectories of MNEs (chapter 4) and the economic effects of FDI (chapter 6). Chapter 6 tested to what extent the growth effects of FDI differ by country of origin, and explored if these different effects may have been caused by country-specific factors such as sector specialization and organizational structure. These two factors determine the potential for technology spillovers (sector) and linkage creation (organizational structure) between in the foreign subsidiaries created by FDI and local firms. The paper on internationalization trajectories suggests that there may be another reason to expect differences in the economic growth impact of firms from various countries of origin. Chapter 4 showed that important differences exist among firms from different countries in the way they internationalize their sales and assets – and hence in whether their internationalization is driven by market factors (i.e., the internationalization of sales by origin is high), or non-market factors such as labour, resources, or strategic assets (the internationalization of assets is high). Such motives for investment have been named as important potential contributors to explaining the development impact of FDI (e.g. Dunning, 1993, UNCTAD, 1999).

The data presented in chapter 4 indicated that Japanese firms tend to keep both their assets and sales concentrated within the home country; their limited international activities are much more sales than asset oriented. The other three sets of firms for which substantial data for sales and assets was available – US, French, and British – are much more balanced in their internationalization of sales and assets, (despite strong differences in levels of internationalization), where US and French firms are slightly more asset intensive, and British more sales intensive. Hence, as a very crude generalization, US and French firms produce abroad to sell to their domestic markets, whereas British firms produce abroad to sell to foreign markets. Chapter 6 indicated that the growth effect of British FDI is positive overall (regardless of e.g. the level of trade-openness, schooling or institutional quality of the country). Japanese FDI in contrast is generally negative, whereas the effect of US (and to a lesser extent, French) investment is positive only after certain thresholds have been reached. The combination of these findings would suggest that the growth effect of FDI that is solely driven by market considerations (like Japanese investment) is lower than that of FDI driven by resource or asset-seeking motives, but that the impact on growth is most positive for FDI that combines these two motives. This proposition would require much further research, as it is based on rather crude generalizations of findings and does not account for differences in e.g. sector that will no doubt affect these results. Yet, such studies would yield important additional insights into the types of FDI that have most beneficial effects for economic growth.

Internationalization and wage effects (B)

The chapters 4 on internationalization trajectories and 7 on the wage and employment effects of MNEs can be combined in a way that is very similar to the previous set of papers.. A substantial component of chapter 7 explored the differences in the wage and labour practices among (amongst others) Japanese, US, British, and French investors in the Netherlands. This chapter showed that each of these foreign investors had a very specific style in dealing with employees, which to a remarkable extent appeared to reflect their home country's institutional background and cultural values. For example, working for a US firm implied 'work hard, play hard', or long hours but high wages and other benefits. Japanese firms were characterized by a focus on quality, as reflected in the substantive training and the absence of dangerous or unhealthy work, but did not pay much attention to equal opportunity. French and British firms closely resembled Dutch MNEs, and are characterized by cooperative relationships with employees (via e.g. works councils), although overall job satisfaction is substantially lower among their employees than for those working for Dutch MNEs.

Matching these findings to the internationalization trajectories of firms identified in chapter 4 – which although not perfectly determined, are at least strongly influenced by their country of origin – it is possible to find associations between these trajectories and the social impact of investments. Yet explanations for such associations are more difficult. For example, the relatively highly internationalized French and British firms may be more used to adapting to local circumstances, which may explain their resemblance to Dutch MNEs. But an equally likely explanation is that these firms share the 'European' approach to labour relationships, so that it is not the type of internationalization trajectory that results in certain labour relationships, but rather the cultural or institutional origin of these firms that simultaneously determines both their internationalization trajectory and approach towards employment relationships. Similarly, the link between the American 'work hard play hard', and relatively asset-intensive internationalization strategies, or the Japanese focus on quality and the sales oriented internationalization trajectories, seem difficult to explain theoretically. While it may be very likely that there is a relationship between the employment impacts of MNE investment and the kind of internationalization (e.g. asset versus sales intensive), it will require more research to establish in what way these two concepts are related. For example, the inclusion of more host countries than only the Netherlands should be considered, while also a more longitudinal approach (especially with respect to the labour effects of FDI) may contribute to enhancing our understanding of the determinants of the employment consequences of MNEs.

Internationalization and economic reporting (C)

Internationalization and disclosure of non-financial information has been explicitly linked in the paper on environmental reporting (see below). While for the paper on the economic dimensions of CSR – reporting on e.g. technology transfer and linkages – internationalization was not taken into consideration as independent variable, using findings on country and industry differences may shed light on these issues. After all, the samples of the two studies (on internationalization, and economic reporting) strongly overlap. Chapter 8 showed that in comparison with Asian (primarily Japanese) and US firms, EU firms are much more likely to report on their impact, particularly with respect to the size of their activities, for example in relation to a host country's GDP, or total work force. It may be that because EU firms have a more substantial part of their activities abroad, that they are more sensitive to these issues. In this way, a relationship between internationalization and economic reporting could be established. But since EU firms are also much more prone to stakeholder pressures in their home countries than US or Japanese firms, this relationship is likely to be more complicated (as indicated also in chapter 9).

Chapter 8 showed that sector differences are primarily important in explaining differences in reporting on technology transfer (though the number of firms on which these findings are based is small). Especially manufacturing and chemicals and pharmaceuticals firms were active in reporting, whereas firms in electronics or trade and retail were not. To some extent, this may reflect differences in technology intensity of sectors. But chapter 4 suggests that the kind of internationalization may explain some of the variation in reporting on technology transfer as well: chemicals and pharmaceuticals firms are with respect to both sales and assets more often 'comprehensive' multinationals – firms with longstanding and substantial international activities. Electronics and trade and retail firms in contrast are firms with the overall majority of their assets at home, and primarily internationalize sales activities (with relatively fewer opportunities for technology transfer).

Internationalization and environmental disclosure (D)

In the attempt to link the chapters 4 on internationalization strategies and 9 on environmental disclosure, the latter has already gone a long way to incorporate the effect of internationalization on CSR reporting. It was shown that the internationalization of assets is negatively related to disclosure, an effect that is only partly mitigated by higher home or host country pressures. Only for firms in environmentally sensitive sectors from high-standard countries could a positive relationship be established.

The simplest link with the internationalization trajectory paper would be to assume that the firms with the most comprehensive internationalization strategies would therefore be much less inclined to engage in environmental reporting than MNEs that are more home country oriented, assuming sectors, home country pressure and host country pressure to be equal. In reality, it is much more difficult as the most international firms are from Europe, where home country pressures are also strongest. The combination of these two papers does however pose a number of interesting questions for further research. Given the important link between internationalization and disclosure, how does this relationship evolve over time? To what extent is disclosure a stable practice within firms, particularly for those characterized by a more volatile internationalization trajectory? Rapidly changing international exposure may mean that environmental reporting may also be more incidental. But in ever changing stakeholder environments, reporting may also become a more common proactive. And how about firms that have strongly expanded their international activities in the mid 1990s? Have they engaged in internationalization, and then reduced their environmental reporting, or vice versa? And what are the consequences for CSR if firms reorient towards their home market? These may not only be interesting empirical questions but may also result in more theoretical knowledge on the link between MNEs, CSR, legitimacy, and internationalization. In particular the examination of reporting strategies over time, paired with internationalization, should result in such insights.

BITs and COO effects (E)

One of the elements that the paper on Country of Origin effects (chapter 6) established is that the effect of FDI on economic growth depends on host institutions: good institutions ensure a more positive impact. At the same time, the paper on Bilateral Investment Treaties (chapter 5) suggested that BITs may substitute for low quality host country institutions. Both papers measure institutions in the same way, using the World Bank Kaufman data. Combining these two findings, it can easily be concluded that BITs by effectively raising institutional quality in the host country could not only contribute to attracting FDI, but also to increasing the development impact of FDI. Yet, it is important to note that the reasoning behind the role of institutions in both contexts is slightly different. In the paper on the effects of FDI, institutional quality measures transaction costs and ease for local firms (employees) to exploit knowledge obtained from MNEs, as it is easy to establish a firm and contracts are easily enforced. But BITs only apply to foreign MNEs, and have been shown to sometimes create a two-tiered system in which local firms do not enjoy the benefits of better institutions. Hence, the ‘substitution’ effect of BITs for domestic institutions is very narrowly defined in a single area: the attraction of FDI.

Further direct comparisons between the two papers are difficult, primarily because the analysis of BITs does not split out the findings by individual source country. Other ways of comparing the two papers – for example by exploring the scores of the six individual investing countries so that they can be linked to effects of control variables in the analysis of BITs – are currently hampered by a lack of variation in the 6 outward investors in for example GDP size (i.e., compared to developing countries). The combination of the two papers suggests an additional interesting avenue for further research, involving an analysis of the effect of BITs with individual countries on FDI. In this way, governments cannot only choose the most preferred investor country based on the findings in the COO paper, but also to actively try to attract FDI by BITs with that investor. Especially Japan (and the US) has relatively few BITs, so that the marginal effect of closing a BIT with these investors may more beneficial. However, the COO chapter indicates that due to the sector specialization of Japanese FDI, its effect is often negative, implying that developing countries may have been wise not to close BITs with Japan.

BITs and employment effects (F)

Chapter 5 on Bilateral Investment treaties concluded that once controlled for self-selection, BITs had a positive effect on FDI. It may be that the Netherlands could use this finding to attract those types of MNEs that chapter 7 indicated have the most positive effect on wages and employment standards. However, a direct link between these two chapters is difficult to make. The Netherlands already receives substantial FDI from the countries studied in the chapter on BITs (US, UK, Germany, France, Japan) without such treaties. In addition, the Netherlands does not generally have a problem of credible commitment to policy changes (in which case BITs may help), and finally, the Netherlands has already signed a substantial number of BITs, meaning that new treaties would have limited effects. For the Dutch government, using BITs as an instrument to facilitate inward investment would be inappropriate (though as means to protect outward investors it may be useful).
But in general, the combination of the conclusions of Chapter 7 that MNEs do transfer home country labour practices abroad, and that of Chapter 5 that BITs may positively affect investment, do indicate that (developing) countries that aim to attract FDI with good labour conditions, may sign BITs with countries where those conditions are common practice. To the extent that the findings for the Dutch context can be generalized, European FDI appears for example to be characterized by 'cooperative' labour relations, while US FDI is associated with low degrees of unionization, and Japanese firms appear rather female-unfriendly.

BITs and economic reporting (G)

BITs are means to attract FDI (chapter 5). Countries hope to attract FDI that has the highest benefits for their economy. One dimension of these benefits include the economic spillovers from FDI, in the form of technology transfer and training, the creation of local linkages, and the sheer size (e.g. in employment) of the foreign subsidiary. The paper on economic reporting (chapter 8) indicated that the extent to which firms engage in reporting on these economic spillovers is dependent upon a range of different variables, including the country of origin of the MNE. To the extent that reporting represents actual practice, countries may wish to sign BITs with those other countries from which MNEs are most likely to engage in CSR activities, including reporting. Such firms may be good examples for local firms to follow, and may bring in particular management knowledge and techniques that may spill over to domestic firms.
The paper on BITs also indicated that sector effects may be important in determining the effectiveness in attracting FDI. In natural resources sectors, FDI was shown to be

relatively inelastic to the presence of a BIT. Similarly, it has been argued that in light manufacturing (e.g., textiles, toys, electronics), where the risk of relocation of production is highest, BITs do not have a strong effect on FDI, as the bargaining power between foreign investor and host country is not likely to obsolesce after investments. Sunk costs are low and the threat of exit is credible. In such circumstances, MNEs may have less need for the protection of a BIT. In all of these sectors, signing BITs may therefore not be a good idea for a host country, concerning the costs in terms of sovereignty loss that are involved with BITs. Exploring sectoral differences in economic reporting, it is shown that the petroleum industry (natural resources) is slightly more active with respect to reporting, whereas electronics is slightly less involved. However, differences across industries are small. Considering in addition that BITs provide protection for all foreign investors and not only those in particular sectors, BITs represent a rather coarse way of focusing investment promotion activities.

BITs and environmental disclosure (H)

The link between the papers on BITs and on environmental disclosure can be established in quite the similar way as the relationship among the papers on BITs and economic reporting (see 'G' above). However, since the paper on environmental disclosure is much more specific with respect to the role of home and host country institutions, additional conclusions can also be drawn. We have seen that environmental disclosure of firms decreases if they invest abroad, meaning that countries aiming to attract firms that are very transparent about their environmental impact may need to consider that this transparency will decrease as a result of MNEs investing in their country. However, this effect is less strong if firms are from countries with high institutional pressures, and also the absolute level of reporting is higher among firms from countries characterized by high public pressure to behave responsibly. Therefore, signing BITs with countries with high institutional pressures may attract more transparent firms.

Countries may wish to attract such transparent firms for several reasons. First, transparency allows host country governments to better assess the consequences of these firms with respect to pollution and other environmental effects. Second, as discussed above, environmental transparency may be coupled with better environmental performance, making these firms extra attractive. Third, since disclosure is a response to general public pressure primarily in the home country, home country stakeholders and consumers may be much more capable to reduce a firm's negative environmental impact than host country legislation, especially if the latter is relatively weak. Finally, since reporting is often coupled with a sophisticated management system to collect the data and monitor progress, firms that are more transparent may also have certain types of sophisticated knowledge and technology, meaning the potential for technology spillovers of such firms for the host economy may be greater.

It is important for policy makers to realize though that although BITs may substitute for institutions in the host country and so raise overall institutional quality, the treaties may not necessarily also contribute to additional pressure on firms with respect to their environmental performance and reporting. In fact, BITs may even significantly constrain government programmes in developing new environmental regulations and in increasing environmental standards, as they can be considered as 'environmental expropriation' under BIT clauses and may be costly to compensate (Verhoosel, 1998).

Country of Origin effects in FDI's development impact and economic reporting (I)

The combination of the papers on the country of origin (COO) effects in FDI impact and on reporting provides a key means to compare the active and passive effects of MNEs. The COO paper studied how FDI by the six main outward investors affects economic growth in host countries. These effects were shown to be dependent on host country contextual factors, as well as on the country of origin. Two explanations for these heterogeneous effects of FDI from different countries of origin were offered: the role of sector specialization and of organizational structure. The paper on economic reporting suggests a third alternative: the extent to which firms are engaged in CSR and CSR reporting. It could be argued that firms that are more active in creating linkages and transferring technology would not only be also more transparent about those effects, but also contribute more to development. The economic reporting paper showed that in particular European countries are involved in reporting, in contrast with Japan and the US where reporting on economic impact was much less common. These are the countries that according to the COO paper also have very different growth impacts. However, also among EU countries (Germany, France, UK) important differences could be observed in the impact of FDI on growth, making a direct link between economic impact and economic reporting difficult.

A second way of linking these two studies is by exploring the sector-level effects. The COO paper showed that countries specializing in certain sectors have different development impacts, whereas firms in various sectors also differ from each other in reporting. Companies in the oil industry are most prone to report on their economic impact, followed by chemicals & pharmaceuticals, and other manufacturing. These are very strongly represented by Dutch and British firms. These have been shown to have a positive impact on development, the Dutch primarily in less-developed countries. In contrast, firms active in finance, trade & retail, and electronics, are least likely to discuss activities related to their economic impact. Firms in these sectors mostly originate from Germany and Japan. The COO paper showed however that these two countries are rather different in their development impact. These findings suggest that the active and passive effects of MNEs do not need necessarily go hand in hand, and that the relationship among these effects requires more research.

Country of Origin effects in FDI's development impact and environmental reporting (J)

Similar to the link between the COO and economic reporting paper, a link can be made between the COO paper and the study on environmental reporting. This is particularly interesting as this combines both the active and passive impact of FDI, and the economic and environmental dimensions of development. Is it possible to see similarities across firms considering this wide range of different mechanisms and impacts? The answer to this question is quite similar to the conclusions discussed above (I). Although there is some overlap between the sectors from which firms contributed most to economic growth and the countries and sectors where environmental reporting is most frequent, differences exist that require further study.

However, the paper on environmental reporting highlighted additional conclusions with respect to the role of the institutional context as determinant of non-financial disclosures. The stronger the institutional pressures (predominantly at home, but also abroad), the more transparent firms become, and the better they will (likely) behave with respect to their environmental activities. Since the various dimensions of institutional quality of countries are often strongly correlated, good institutions with respect to protecting the environment and good 'general' institutions will likely go hand in hand. This means that the conclusions for the COO paper on how the effect of FDI on development depends on host country institutional contexts could be linked to the findings of the paper on environmental disclosure. High quality institutions both promote economic spillovers from FDI and more knowledge (and hence possible control) of the environmental effects of MNEs.

Wages and economic reporting (K)

The combination of chapter 7 on wages and employment in the Netherlands, and chapter 8 on reporting on the economic impact of MNEs is in fact an assessment of the combined active and passive, social and economic effects of MNEs. Several of the MNEs that were studied in chapter 8 were Dutch, and many of the non-Dutch firms in that chapter are inward investors in the Netherlands. The findings can hence be linked almost one-to-one. For example, a key common theme for both chapters is the role of forward and backward linkages. Chapter 8 addresses the extent to which firms report to actively create linkages – primarily backward linkages – with local firms in the countries where they invest. It was shown that especially large firms report to have are such linkages. In chapter 7, firm size is also related to good practices: larger firms pay higher wages, provide more training, require less overtime work, and employees are generally more satisfied with their job than those that work for smaller firms. Economic (reporting) and social effects seem to go hand in hand. A potential reason might be however that large firms engage more in responsible behaviour because of their visibility. Another reason may be the availability of resources and manpower to implement good management practices. Further research may explore these issues.

Wages and environmental reporting (L)

Like the combination of the chapters on wages and economic reporting, the link between the final two papers, on wages (chapter 7) and environmental reporting (chapter 9) involves a combination of active and passive effects, at two different levels of analysis (employees and firms). Chapter 9 on reporting showed how important institutional pressure in home and host countries is in influencing firm behaviour with respect to environmental reporting. In one of the suggestions for further research, this chapter indicated that the role of institutional pressures may also be explored for social or employment related behaviour and strategies of MNEs. Although chapter 7 tackles this topic in quite a different manner than chapter 9, several interesting observations can be made if the findings of chapter 7 are re-interpreted in the light of the framework of chapter 9.

Unlike in the case of environmental reporting, where firms often seem to escape domestic pressures, in the case of employment, firms do copy or export their home country practices. This happens both in the case of ‘good’ (higher wages, more job satisfaction, collaborative labour relations) and ‘bad’ practices (lack of equal opportunity for women). Part of this difference may be explained by (as suggested already in chapter 9) the possibility that practices are subject to a different dynamic than reporting. Global integration (i.e., applying the same standards everywhere) may be beneficial in the case of practices, while reporting responds more directly to public demands, and requires a more locally responsive approach. A swap of the topics and research outlines of these two chapters (i.e. an exploration of the environmental practices and social reporting) may further explore these differences between practices and reporting among social and environmental issues.

10.4 The Role of Institutions

In addition to these ‘paper-by-paper’ conclusions, several observations can be made concerning a theme that has been central in the chapters throughout this dissertation: the role of institutions. Chapter 1 already indicated in the discussion of the New Development Paradigm that institutions are central to understanding how globalization comes about and how globalization impacts home and host countries. Three particular roles of institutions were distinguished: a) as a moderating factor in the impact of MNEs on host countries; b) as determinant of the location and nature of activities of MNEs, and c) as a characterization of MNEs themselves (i.e., the MNE as an institution). Each of these three roles of institutions has been addressed in this dissertation, and several general conclusions can be drawn from the research findings.

With respect to the moderating role of institutions, it is generally considered that high quality host country institutions affect the extent to which FDI can have a beneficial effect on host country economic growth and development. High quality institutions reduce transaction costs and facilitate linkages and business relationships with local firms. Hence, it was often concluded that FDI only contributes to growth after a certain threshold of institutional quality. While most of this argument was supported by the empirical evidence in for example chapter 6 (on the different effects of FDI by country of origin), and in a very different way also in chapter 9 (where the evidence suggested that host institutional pressures increase the likelihood of environmental reporting of MNEs), some nuances have been made. Chapter 6 in particular found that this effect could not be established for all FDI: notably Japanese FDI interacted very differently with the host country institutional environment. It was suggested that this may have to do with the sector specialization (in high-tech electronics, where international rather than local linkages are strong, and institutions hence do not have much to add to local linkage creation) and organizational structure (the combination of centralization and strong relationships with domestic suppliers) of Japanese FDI. An alternative explanation may be that not all managers judge an institutional environment in a host country in the same way, depending on their experience with institutions in their home country. Furthermore, the results in chapter 9 indicated that institutional pressures may be more prominent in some sectors than in others. These findings indicate that the role of host country institutions in determining the extent to which FDI is beneficial for host countries may be more complex, and dependent on a firm's home country (institutional distance) and sector of activity.

The second role of institutions is as a determinant of the location of investments and the nature of MNE activity. This point has returned in almost every paper in this dissertation: from the first set of papers on the determinants of internationalization trajectories and bilateral investment treaties, to the differences in economic and social impact of MNEs from various countries of origin, to the role of institutional pressures in determining the likelihood and extent of sustainability reporting.

With respect to the role of host country and international institutions, particularly the findings of the paper on bilateral investment treaties is helpful. Overall, institutional quality is not a main determinant of bilateral FDI flows, once controlled for a range of other variables including differences in development levels and trade openness (although regulatory quality and the presence of a common law judicial system do attract FDI). Yet in low-quality institutional environments, bilateral institutions – BITs – can provide an advantage vis-à-vis other countries in the global competition for FDI, and attract investment.

But it has been in particular the role of the home country institutional context that has been considered in the empirical papers as a determinant of MNE (international) strategy and consequently, its effects on development (with the exception of the paper on BITs). Table 10.2 summarizes the main conclusions of each paper regarding the firms or investments from each of the six countries of origin.

Table 10.2

France	Sales: clustered, comprehensive. Assets: compreh. and dynamic-vol.	Impact: Not significant overall. Sectors: real estate and business. Org. structure: multidomestic with highly centralized decision making.	Most likely to have a works council, few irregular hours, little overtime, lowest stress-levels.	[Europe] reporting on economic impact [illegible] 0.85 < threshold International firms in high impact sectors report less.

	US	Japan	UK	Netherlands	Germany
Ch.4 Internatio-nalization trajectories	Sales: Home market oriented. Assets: strong expansion.	Sales: Home orientation. Assets: home orientation.	Sales: expansion, comprehensive. Assets: compreh. and dynamic-vol.	Sales: comprehensive. Assets: comprehensive.	Sales: clustered. Assets: comprehensive.
Ch.6 Economic effects of FDI (by origin)	Impact: As hypothesized; positive after a threshold of trade, education, institutions. Sectors: equally distributed. Org. structure: decentralized decision-making.	Impact: Distinctly negative, especially in trade-open countries and in high quality institutional contexts. Sectors: metal and mechanical, machinery computers, RTV. Org. structure: strongly integrated.	Impact: Positive throughout. Sectors: petroleum and telecom. Org. structure: decentralized decision-making.	Impact: Generally not significant; but potential positive effects in low-education countries. Sectors: food, petroleum, rubber, chemicals and trade. Org. structure: multidomestic, local players.	Impact: Positive effects in countries closed to trade, with good schools and institutions. Sectors: finance, automotives. Org. structure: HQ oriented, replicate home country practice.
Ch.7 Wage and labour effects (direct)	'Work hard and play hard': long hours and stress, but high wages, training, and other benefits.	High quality jobs, little equality of opportunity.	Similar to US firms ('work hard, play hard'), though less extreme.	Lower wages, longer working hours than foreign investors, but challenging work and high job satisfaction.	Hours similar to Dutch domestic firms, but often irregular. Most likely to have CAO instead of works council.
Ch.8 Economic Reporting	[North America] Limited reporting on economic impact.	[Asia] Very similar to US: limited reporting.			
Ch.9 Environ-mental disclosure	0.87 > threshold: International firms in high impact sector report more.	0.81 << threshold International firms in high impact sectors report less.	0.92 >> threshold International firms in high impact sector report more.	0. 87 > threshold: International firms in high impact sector report more.	0.88 > threshold: International firms in high impact sector report more.

Table 10.2 shows the great variety of results for each of the six home countries that were central – either explicitly or implicitly – in the papers of this dissertation. It is remarkable how significantly the strategies and consequences of firms still differ by their home countries, and to what extent these strategies (continue to) represent the often archetypical or almost caricatural image of firms of various nationalities. US firms tend to focus on efficiency and economic profit, are oriented on their home market, give high rewards for hard work, and engage only to a limited (though not non-existent) extent in non-financial reporting. Japanese firms are strongly home market oriented, produce high quality, high tech products with high quality (male) employees with high quality jobs, but are less concerned about non-financial reporting, especially not when large shares of a firm are located abroad. European firms are among the most 'social' and hence not only have relatively comfortable working conditions, but they are also rather active with respect to non-financial reporting. They also tend to be much more international than their American or Japanese counterparts – though it should be noted that this is often still within Europe.

One potential contribution of such a 'cross-section' of results could be that it highlights potential relationships among variables – for example, employment practices and internationalization strategy – if across countries, certain employment practices are always combined with a certain internationalization strategy. In that case, the country of origin may even be a mere mediating variable that only obscures more fundamental relationships. But the complexity of the patterns that arises from Table 10.2 suggests that this is not applicable for the results presented in this dissertation. Location matters, also in an era of global integration, especially because it enables firms to build upon such important and unique sets of historically grown institutions. Simply having 'high quality' institutions (e.g., having protection of intellectual property rights, regulation of competitive practices) are not enough to explain the differences across firm strategies, practices and impact. Further analysis is necessary to see what exact dimensions of institutions, and their interactions, may be used to drawn cross-countries conclusions.

The third and final point with respect to the role of institutions, is the conceptualization of the MNE as an institution itself: as a transaction cost reducing set of (company internal) rules, regulations and norms. This firm-level characterization of an MNE is probably most obvious in chapter 4 on different internationalization trajectories, that shows that although sector and institutional context do influence internationalization, firm specific factors are also very important. While this dissertation has not explored which firm factors that could be, the great diversity of internationalization trajectories even within a single sector or single country suggests that important firm-specific differences exist in the way firms coordinate international activities. Further research in this area is warranted.

10.5 Relevance of the Findings for Policy Makers and MNEs

The understanding of the impact of FDI and MNEs for sustainable development is vital for policy makers that are confronted with managing an increasingly international economy. Each of the individual papers has suggested several policy recommendations based on the empirical findings, and also the conclusions in this chapter provide important suggestions for policy makers. To summarize the main recommendations:

- The overall impact of MNE activity and FDI tends to be positive on the whole, but negative when it comes to the distribution of these benefits, both across countries and within countries. However, reversing the process of economic globalization on account of its negative distributional effects would also reverse much of the overall benefits, and hence does not appear to be a viable option. Yet these negative distributional effects do pose important legitimacy questions for both firms and governments. Firms have started to address these issues – however rudimentary in some cases – via various CSR activities and disclosure. For governments, an important role is to facilitate and stimulate successful participation of the people and firms within their jurisdiction as much as possible. This implies the creation (and maintenance) of high quality institutions and continued investment in education and schooling (chapters 5 and 6 indicated that in those circumstances the effects of FDI are most positive), as well as sound income distribution policies.
- In order to attract those kinds of investments that are most beneficial for their economy, countries should take into account the quality of their institutions, level of technological attainment, and extent of trade openness, and identify on the basis of those characteristics from which country FDI is likely to be most beneficial. Investment promotion efforts (including the signing of BITs) can then focus on those countries. The results of this dissertation indicated that, for example, in countries that score low on levels of education and institutional quality, Dutch investments may be most beneficial for economic growth, whereas countries that are closed to trade would for example benefit most from German investments.
- Countries that want to attract FDI are advised to sign BITs with countries from which they seek to increase investments, since after controlling for self-selection, BITs do have a favourable effect on investment. However, the costs in terms of loss of sovereignty over policy making should be considered, as well as the decreasing marginal contribution of every additional BIT to total inward FDI before engaging in new potentially costly negotiations.
- If reporting is a reflection of actual impacts, then it might be suggested that policymakers in host countries should try to attract large, European firms, which are more likely to create linkages with local firms. And along these same lines, if policymakers are interested particularly in technology transfer, it seems better to focus on attracting firms to particular sectors, with manufacturing firms being more important potential sources of knowledge than for example service firms, as far as the MNE's own attention for knowledge transfer is concerned.
- In order to promote the active contribution of firms to enhancing sustainable development, the findings in this dissertation also suggest that governments should abstain from merely legally requiring firms to disclose non-financial information and details on their CSR activities. Instead of such very focused and specific legislation, it is the overall institutional pressure, embodied in a good environmental governance

system where clear and reliable environmental rules and regulations are in place generally across the board, that is important in increasing transparency by firms about their environmental activities. This is the case for both domestic firms and international firms, both at home and abroad. Hence, all governments – home and host – willing to increase the extent of reporting by firms should invest in building and maintaining such institutions.

While the implications for policymakers of the studies in this dissertation are relatively straightforward, the results do not yield many concrete and directly applicable insights for managers, also because firm performance has not been among the core dependent variables in the papers. However, for firms it is increasingly important to understand their social, economic and environmental impact on the economies and societies in which they operate, as they are increasingly scrutinized for making positive contributions. The findings in this dissertation may help increase that understanding, and may allow firms to better develop their CSR priorities. Especially the detailed content analysis in chapter 8 may inspire managers who want to increase their accountability on these aspects and adapt their measurement and reporting systems accordingly.

10.6 Limitations and Suggestions for Further Research

This dissertation has explored the effect of international investments by multinational enterprises on sustainable development. In doing so, it aimed to address the effects of the economic dimensions of globalization. In a set of two introductory and theoretical chapters and six empirical papers, three main research questions were addressed concerning the determinants of international investment, the effects of FDI on sustainable development and the active contributions MNEs have started to make to enhancing their overall contribution to economic growth, social justice and environmental preservation. Each of the empirical papers had its own specific contribution to existing research in the field, as identified in their respective introductions and conclusions. This final concluding chapter aimed to combine these diverse contributions, and showed that the overlap and synergies among the papers yielded additional insights and conclusions. At the same time, it became also apparent that much more research needs to be done in order to fully grasp if, how, and under what circumstances FDI contributes to sustainable development.

Firstly, there remain considerable advances to be made with respect to measurement issues. FDI continues to be difficult to measure correctly, especially in internationally comparative and developing country settings. This was the case at the macro-level – particularly if for example breakdowns by source and destination countries are necessary, as in the chapter on BITs – but especially at the micro or firm-level, where the often used indicator of internationalization was shown to be particularly difficult to measure reliably and consistently. Other key variables that have been included in this dissertation – sustainable development, and CSR – are notoriously multifaceted, which alone creates important definition and measurement problems.

A second element that has not been addressed extensively in this study relates to dealing with the potential trade-offs between development aims: economic growth may not always result in social equity, and often contributes to environmental degradation. Also the social and environmental goals of development may not always be congruent. Further research may either replicate studies from this dissertation with other dependent variables (e.g. the impact of FDI from different Countries of Origin on environmental preservation), or set up other studies that include multiple dependent variables in order to better understand the costs and benefits of certain strategies for the various dimensions of sustainability.

Yet another key issue for further inquiry concerns the relationship between the various passive and active, direct and indirect effects of MNEs for sustainable development. Two questions are relevant in this respect. First of all, how to evaluate the codes of conduct and sustainability reports of MNEs against their true social and environmental practices, or, to what extent do MNEs practice what they preach? And secondly, how to establish the net effect of positive and negative active and passive effects. For example, does a good environmental, health and safety system at a subsidiary of a multinational outweigh its negative competition effects? Or do substantive local linkages make up for a lack of pollution prevention?

Finally, further research should establish what specific components and dimensions of home country institutions determine the differences that were observed among US, Japanese, and the various European firms. It means that the categorical variable that merely identified the name of the country of origin may be changed into a range of cultural, institutional, developmental, geographical, or other more substantive variables that can both explain the cross-country differences in the data discussed in this dissertation, as well as result in more generalizable findings.

Answers to all these questions for further research are likely extremely difficult. Yet complexity should never be a reason for abstaining from studying a problem. Additional research may not only improve our understanding of the dynamics of the relationship between FDI and development, but also help to optimise FDI-related policies in and by home and host countries alike.

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