**Journal of International Business Policy (2018) 1, 1–11**

www.jibp.net

EDITORIAL

# From the editor: Engaging international business scholars with public policy issues

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**Abstract**

For more than 60 years, scholars in the international business field have studied the distribution of value-adding activity across national borders, and attempted to explain where, how and by whom international production is organized. It is their deep knowledge of the different kinds of multinational enterprises (MNEs) and of the myriad ways in which these firms interact with the local environment that allows international business scholars to make a unique contribution to public policy debates. In launching the *Journal of International Business Policy* (JIBP), we intend to build a leading outlet for research that demonstrates how a greater understanding of MNE strategies, organizational structures and systems can yield better public policy.

*Journal of International Business Policy* (2018) **1,** 1–11.
https://doi.org/10.1057/s42214-018-0007-y

## INTRODUCTION

The current debate about the positive and negative consequences of globalization is central to the field of international business. This is understandable, since multinational enterprises (MNEs) have been at the forefront of the technological and organizational developments that have shaped the contemporary global economy. Indeed, the post-World War II period that brought gradual trade and investment liberalization and rising incomes was driven by MNEs. Today, they are responsible for some 80% of world trade, about a third of which has been estimated to be intra-firm (UNCTAD, 2013: 135), while annual flows of foreign direct investment (FDI) have averaged about $1.5 trillion over the last decade (UNCTAD, 2017: 2).

These basic facts demonstrate the quantitative significance of MNEs, but MNEs are not only relevant because of their role as a conduit for trade and investment flows. They have also been instrumental in shaping the rules that govern both their domestic and foreign activities. Larger than most purely domestic firms, MNEs often act as both rule takers and rule makers (Scherer & Palazzo, 2007, 2011). We are therefore not only interested in how MNEs should be regulated by governments, but also in the ways in which MNEs participate in the rulemaking process (Abbott & Snidal, 2013).

**Online publication date: 17 April 2018**

International business scholars are of course not the only academics interested in globalization-related questions, nor should they be. Indeed, there is no overarching normative agenda or superior research methodology that would justify international business scholars dominating the public policy debate, any more than scholars in other social science disciplines such as economics, political science, law or sociology. Rather, we should be asking how those in the field of international business can contribute to the discussion. What kinds of questions most naturally fall within the international business domain? What theoretical and empirical approaches can international business scholars deploy to understand better the interconnections between MNE activities and the objectives of policy makers?

The purpose of this first *Journal of International Business Policy* (JIBP) editorial is to argue that international scholars can fruitfully contribute to the analysis of the links between MNEs and public policy due to the field's focus on the heterogeneity between different types of MNEs, and because of its attention to their interaction with local contexts. After all, the international business field studies the distribution of value-adding activity across national borders, and explains where, how and by whom international production is organized. It is precisely the in-depth knowledge about the variety of MNE strategies, organizational structures and systems, and how they interact with the local environment, that allows the field to make a contribution to public policy.

In the following section I will present a brief (and highly personal) intellectual history of the international business field. This review is necessarily selective, and builds on recent contributions that are intended to provide an entry point into some of the core topics within the international business field. My aim is to demonstrate that the research field has a "double helix" structure, whereby some of the key theoretical concepts used to understand MNEs from a managerial point of view are equally relevant to public policy. I will provide examples of how a greater understanding of MNE behavior can yield better policies, then give a thematic overview of the papers that appear in this inaugural issue. I conclude with reflections on upcoming issues and on the challenges of developing a new international business research agenda that is societally relevant and that fully engages with issues of policy.

## THE "DOUBLE HELIX" OF INTERNATIONAL BUSINESS RESEARCH

This year marks the 60th anniversary of the Academy of International Business (AIB). The oldest journals in the field, the *Journal of World Business* and our sister journal the *Journal of International Business Studies* (JIBS), have reached their 53rd and 49th volumes. In the 1960s and 1970s, the early decades of the international business field, issues of political economy, political risk, and the often fraught relationship between MNEs and nation states were at the forefront (Boddewyn, 2016). This was a period of record expansion of MNE investment, particularly from the U.S. to Europe, but also one that witnessed government expropriation of MNE assets. Here, the international business field contributed seminal analyses e.g. on the negotiations between MNEs and host countries, highlighting the obsolescing bargain between investors and host country governments (Grosse, 2005; Vernon, 1971, 1981).

The subsequent two decades were characterized by a more favorable political environment for MNEs. The U.S. outward investment stock continued to grow and mature, while more investors from Europe and Japan also began to undertake market and efficiency-seeking investments. As a consequence, scholars in the field shifted their attention from MNE-state relationships towards internal governance issues within MNEs. These issues revolved around the tension between local responsiveness and global integration, and the transferability of the knowledge-based ownership advantages of MNEs across borders. The resulting tradeoff between centralization and decentralization of control was variously explored in organizational models such as the multidivisional firm and the transnational solution (Bartlett & Ghoshal, 1989; Chandler, 1990). Starting with China's Go Global policy in the early 2000s, outward investment from emerging markets appeared as a new phenomenon that challenged the existing players, as well as our conceptions of the origins of competitive advantage.

Over the past half century, international business scholars have developed several original theoretical contributions. These include the Uppsala model of learning and gradual resource commitment to explain the process of firm internationalization (Johanson & Vahlne, 2009; Vahlne & Johanson, 2017). Naturally, they also include the analysis of market failures employed in key theoretical constructs such as internalization theory and the eclectic paradigm (Buckley & Casson, 2009; Dunning, 2000). More recently, increasing investment in and out of emerging markets has focused attention on the impact of institutional failures leading to some novel theoretical contributions in that area (Cantwell, Dunning, & Lundan, 2010; Jackson & Deeg, 2008; Meyer & Peng, 2016).

I propose that these seminal contributions to international business research address governance failures at three different levels of analysis, and that it is precisely this knowledge of governance failures and their remedies that can be leveraged to analyze issues relevant to policy. This idea is summarized in Table 1, which presents the "double helix" of international business research, so named because the two strands share a common theoretical core, with one strand that leads to answers relevant for managerial practice and the other to insights relevant for policy.

## Organizational Failure

At the individual manager and organizational unit levels, governance issues arise from information asymmetries and information processing problems. Managers have bounded rationality, and therefore may not accurately perceive or process the information available; they may also pursue self-interest seeking behavior at the expense of the organization. Owing to inherent information problems that arise from the decentralized structure of the MNE, subsidiary managers and those at the headquarters are fundamentally unable to share the same information (Foss, Foss, & Nell, 2012). As a consequence, some managerial failures can be attributed to bounded reliability rather than bounded rationality alone (Verbeke & Greidanus, 2009). In other words, subsidiary managers may not have intended to promote local interests at the expense of those of the MNE as a whole when the commitments were originally made.

These sorts of principal-agent conflicts are, of course, at the core of much of the management literature, but here the contribution of international business scholars is the connection between structure and individual behavior. Specifically, international business scholarship has highlighted how the need in MNEs for locally generated knowledge to be available to the whole organization leaves it inherently vulnerable to the information asymmetry between subsidiary managers and those at the corporate headquarters, potentially leading to rent-seeking within the firm (Kostova, Marano, & Tallman, 2016).

The proposed solution to this governance problem is to introduce a system of rules and monitoring, such as budgeting or socialization, that induces individuals to reduce the information asymmetry and to curb their opportunism. This research has obvious managerial implications in multiple areas, such as in how to select and train expatriate managers, which language(s) to use and which structural and reporting solutions to deploy to solve the integration problem (Tung, 2016).

However, how MNEs align managerial incentives to reduce information asymmetry is not only an issue of importance for the MNE and its performance. It also has implications for the de facto standards that prevail in the market that may also find their way into *de jure* regulations, particularly in countries where local managerial and regulatory capacity is limited (Dunning & Lundan, 2010). For instance, the employment-related policies of MNEs can either become contested, as happened with Wal-Mart in Germany, or absorbed into host

**Table 1** The "double helix" of IB research

| Governance level | Manifestations | Solutions |
|---|---|---|
| Institutional failure | Political risk/instability | Bargaining, lobbying, bribery |
| | Economic risk/instability | Economic diplomacy |
| | Institutional/administrative distance | Public–private partnerships |
| | | BITs and other IIAs |
| Market failure | Limits to technology licensing | Internalization/acquisition |
| | Limits to acquisitions | Non-equity/cooperative entry |
| | Underinvestment in skill development | Training and employee selection |
| | Underinvestment in R&D | Technology transfer and development |
| Organizational failure | Information asymmetry | Organization design |
| | Bounded rationality/Bounded reliability | Reporting and monitoring systems |
| | Local optimization | Incentive systems |

country regulation as was the case in Jordan (Backer, 2007).

### Market Failure

At the level of markets, the analysis of market failure is familiar to international business scholars, as internalization theory explains the existence of the MNE as a response to market failures in various intermediate markets, most notably in that for knowledge (Buckley & Casson, 1976). This fundamental insight has resulted in vibrant streams of research that have examined the adjustments MNEs make to their entry mode to fit the nature of transactions – such as asset specificity – the institutional characteristics of the host country, and its perceived institutional distance to the home country (Brouthers, 2002; Erramilli, Agarwal, & Dev, 2002).

More generally, failures in different relevant markets explain the variety of governance mechanisms that exist within the multinational network, ranging from contract-based research and design, manufacturing, distribution, and after sales service, to more open-ended contractual relationships like strategic alliances, and to equity-based relationships like joint ventures and full equity investment (Hennart, 1993). In markets with skill shortages, MNEs often engage in internal training activities, and they regularly transfer technology to their network partners. MNEs may obtain access to strategic assets through acquisitions, but if these are unavailable, they have to find either cooperative means to access the resources or rely on internal development (Hennart, 2009; Slangen & Hennart, 2007). The dynamic capabilities perspective joins together the governance perspective (based on transaction cost minimization) and the entrepreneurial theory of the firm (focused on value creation and appropriation) to explain both the scope and modality of MNE activity (Teece, 2014).

The literature thus far has taken the point of view MNEs to explain the conditions which prompt them to choose a specific mode of entry. However, there is an unexplored connection to public policy as well, since the goal of policy is not simply to attract foreign firms, but to achieve particular economic benefits, such as employment, training, technology transfer and integration into global markets. These depend on the mode of entry chosen by the MNE and hinge on the kinds of assets transferred and the modality of their transfer.

### Institutional Failure

Finally, we have the issue of institutional failures in public governance at the level of local, regional, and state governments and regulatory institutions. In the international business literature, firms are typically seen as responding to differences in the levels of institutional quality between the home and host countries. For example, prior experience dealing with specific institutional deficits such as corruption has been shown to make investors less sensitive to institutional quality in the host country (Cuervo-Cazurra & Genc, 2008). While research in this vein has examined the effects of changes in institutional quality over time, less attention has been paid to the design and impact of specific policies on MNEs, an issue of particular relevance to emerging markets (Buckley, Clegg, Voss, Cross, Liu, & Zheng, 2018).

Again, firms may respond to high levels of uncertainty by either staying away or by adjusting their entry mode, but they may also engage in activities to shape the host country institutional environment through lobbying, support from their home governments through economic diplomacy, or bribery of public officials (Cantwell et al., 2010; Rugman & Verbeke, 1998; Slangen & Beugelsdijk, 2010). Relationships with national and regional governments are particularly important in natural resource extractive industries and in infrastructure, sectors that require government concessions or involve substantial government oversight and participation (Henisz, Dorobantu, & Nartey, 2014). For market and efficiency-seeking investments, successful management of myriad nonmarket relationships with local governments and civil society is a precondition for the establishment of good relationships with suppliers and customers (Teegen, Doh, & Vachani, 2004).

It is important to note that the knowledge-based resources that are at the core of the MNE's ownership advantage are also crucial to the achievement of public policy goals. This is particularly significant in environments with endemic institutional failures or governance deficits, where MNEs try to alleviate some of the impact of these failures on their value-adding activities by internalizing functions such as training, or by engaging in public–private partnerships in infrastructure, health care, and education (Boddewyn & Doh, 2011; Scherer & Palazzo, 2011). In other contexts, MNEs play a role in drafting new regulations and agreements at the national and supranational level, where their participation is seen as legitimate given their size and their unique knowledge-based assets (Alvarez &

Sauvant, 2011). From a public policy perspective, these relationships, and the nature of the negotiation process by which new rules are brought about, are highly relevant to determining how the private interests of firms end up being balanced against the public interest.

## SOME NEW DIRECTIONS FOR INTERNATIONAL BUSINESS RESEARCH

The driving idea behind JIBP is that the core concepts of international business that have been used to analyze the governance challenges faced by MNEs can also be deployed to address a different set of questions. Can what we know about how MNEs deal with integration and information asymmetry inside the firm, how they adjust their resource commitments and mode of entry to deal with market or institutional failure, and how they cooperate and co-evolve with their multiple stakeholders, help us design better public policy?

In some areas of policy, such questions have already been explored quite extensively. Not surprisingly, owing to the prominent role played by MNEs in innovation, we have a substantial literature on how MNEs contribute to innovation systems, how they impact local clusters, and on the benefits they derive from collocation and cluster membership (Dunning & Lundan, 2008; Mudambi, Narula, & Santangelo, 2018). Similarly, labor economists have provided extensive evidence of the MNE wage premium in host countries, but we know considerably less about how MNE training, skill development, and employment policies influence local labor markets (Dunning & Lundan, 2008; Javorcik, 2015). What kinds of policies are required to support the centers of excellence that attract high value-adding activities within MNEs? How do nations or regions create viable and economically and socially sustainable clusters connected with global value chains (Turkina & Van Assche, 2018)? Is there a need for specific policies for skilled migration, and if so, how are such policies related to MNE recruitment efforts?

Overall, we do not know as much as we should about the different ways in which MNEs stimulate or hinder the economic and social development of the countries in which they operate (Barrientos & Gereffi, 2011; Kolk, 2016; Narula, 2018). While early investment in developing countries was natural resource seeking, and often poorly integrated with the rest of the economy, today's emerging markets are the recipients of large amounts of MNE activity that is market- and efficiency-seeking, and that has a much more multifaceted impact on development (Moran, Görg, Serič, & Krieger-Boden, 2018). In these more dynamic environments, we are likely to see more examples of the co-evolution of MNEs and local institutions (Cano-Kollmann, Cantwell, Hannigan, Mudambi, & Song, 2016; Cantwell et al., 2010).

The changing nature of global value chains and the coordinating function of the network MNE – the global factory – also has fundamental implications for the kind of data we use to analyze cross-border economic relationships. It is quite apparent that trade statistics do not tell the same story they did 30 or 40 years ago due to the large amount of intra-industry and intra-firm trade that is associated with global value chains. Such statistics have lost their traditional meaning as the same goods are exported and then reimported with some value added at each stage. This double counting has been estimated to account for about 28% of total trade (UNCTAD, 2013: 123), leading to the development of new trade statistics based on value added. Similarly, given the increasing amount of contractual activity within MNE networks, and the financing of investment from sources outside the home country, FDI is very much a lower bound estimate of the amount of cross-border MNE activity in most host countries, and better measures are needed to craft truly evidence-based policies (Beugelsdijk, Hennart, Slangen, & Smeets, 2010).

An additional difficulty arises from the fact that there are two very different domains where cross-border activity takes place. Because exporting firms are generally more productive than purely domestic ones, and those that engage in foreign direct investment even more productive than exporting firms, cross-border trade and investment tends to be concentrated in the hands of a relatively small number of large firms (Dunning & Lundan, 2008). Hence large MNEs collectively account for the vast majority of all exports and foreign investment. In smaller economies, this means that the activities of a handful of firms, or indeed of a single firm, become the focus of attention. On the other hand, internationalizing small firms, naturally more numerous, but also quite diverse, consisting both of knowledge-intensive microenterprises and more traditional small businesses, present a completely different set of policy challenges (Knight & Liesch, 2016).

A third category of investors with special policy relevance that has become more prominent recently is state-owned enterprises (SOEs) (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014). Although numerically SOEs are the most prevalent in Europe, strategic asset seeking acquisitions by Chinese enterprises with either direct or indirect ownership links to the government have attracted notable policy interest there and in the U.S. on the grounds of security concerns (Luo & Zhang, 2016; UNCTAD, 2016). China has also introduced ambitious inward and outward investment policies culminating in the One Belt, One Road and Made in China 2025 programs, the latter influenced by the German Industry 4.0 program (Koleski, 2017). How do these policies compare, if at all, with those of other major emerging economies, like the Make-in-India program (Mudambi, Saranga, & Schotter, 2017)? What are appropriate policy responses on the part of other investor countries to the emergence of this new generation of MNEs, and how should they adjust their inward and outward investment policies?

Finally, inherent to MNEs is the fact that they internalize markets for intermediate goods between different internal units. This puts MNEs on a collision course with sovereign governments when it comes to transfer pricing and the apportionment of tax revenues between home and host countries. This problem is particularly acute whenever there are substantial differences in effective rates of taxation between countries (Eden, 1998). The Base Erosion and Profit Shifting (BEPS) project initiated by the OECD has led to the introduction of more stringent rules on the reporting of income from different geographical sources, but its successful implementation requires MNE cooperation. A related issue is profit reinvestment. The profits MNEs earn abroad can either be reinvested locally, repatriated back to the home country (an intra-firm dividend), or shifted to a third country that might offer substantial tax benefits. While we have a good understanding of the determinants of dividend policy domestically, how MNEs determine their rate of reinvestment has substantial policy relevance for both home and host countries, but has not been investigated empirically to date (Lundan, 2006).

## PAPERS IN THE INAUGURAL ISSUE

This issue opens with a paper by Dani Rodrik on the relationship between globalization and the rise of left and right-wing varieties of populism around the world. It is based on the keynote speech given by Rodrik at the AIB 2017 conference in Dubai, where he was awarded the John Fayerweather Eminent Scholar Award. He makes two main points. The first is that built into the models that trade economists use to evaluate the effects of economic liberalization, the gains occur relatively early, while the redistributional costs increase steadily as further liberalization is undertaken. Since the current global economy is the result of continuous trade and investment liberalization since 1945, it is understandable and even predictable that further liberalization is offering fewer benefits while the costs are mounting. With the exception of services and agricultural products, the major tariff reductions have already been achieved, and much of what remains to be negotiated does not concern tariffs but nontariff barriers. Nontariff barriers impinge on national sovereignty because lowering them requires changes in a country's rules and regulations.

The second point he makes is that increasing dissatisfaction with the distributional consequences of globalization has emboldened populist politicians in different parts of the world. Left-wing populists have gained support mainly where systems of redistribution through taxation and regulation are weak, such as in Latin America, while right-wing populism has erupted in some Western European countries that have comprehensive welfare systems that are under strain. Indeed, the welfare systems in many European countries have undergone fundamental transformations during the past two decades, and while they still offer substantial protection for old age and illness, in many countries the labor market related protections have been reduced (Obinger, Starke, Moser, Bogedan, Gindulis, & Leibfried, 2010).

The solution offered by Rodrik is to bolster the role of the nation state in relation to transnational governance and multilateral agreements. He argues that although populism feeds on national sentiment and identity politics, the nation state is in control of all the resources needed to effect redistribution and thereby remove the sources of discontent which feed populist politics.

Rodrik's paper is followed by two commentaries written by Bernard Hoekman and Douglas Nelson, and by Ram Mudambi. Hoekman presents a contrasting view to that of Rodrik. His first critical point is that the trade-related effects alone are simply not sufficiently large to explain the backlash to globalization. This is because trade effects are but one part of the flows related to globalization, while the flows of capital, knowledge and people have all been facilitated by technological change and new rules that promote an open global economy. This development is exemplified by the global factory and MNE-orchestrated global value chains (Barrientos & Gereffi, 2011; Buckley, 2011; Mudambi, 2008).

Hoekman and Nelson's second point is that trade agreements reflect the interests and power positions of the negotiators, and as such, can leave space for domestic policy action; this is in fact what is observed in most of the agreements that are in force today. Whether such agreements incorporate provisions such as investor-state dispute resolution is up for negotiation domestically between civil society, governments, and firms, and internationally when such treaties are being finalized. Naturally, this process can also result in provisions that simply reflect the interests of specific firms or industries, such as those inserted by the U.S. pharmaceutical industry in the Trade-Related Aspects of Intellectual Property Rights (TRIPS) negotiations under the auspices of GATT/WTO (Ramamurti, 2005).

Hoekman and Nelson view the process of negotiation and cooperation as an essential feature of global governance. It is an integral part of what has sometimes been called deliberative democracy (Scherer & Palazzo, 2007), and Hoekman and Nelson see it as a key mechanism to enable global value chains to function effectively within a network of domestic rules. In concrete terms, his perspective is one of regulatory cooperation, which is not equivalent to harmonization, but instead reflects a process of negotiation and cooperation. That process might start domestically and then move to the transnational level. The nation state is important, but we cannot neglect or retreat from the transnational level, and bureaucratic cooperation is a necessity, since there is no sovereign power above the nation state. A similar conclusion was reached by Kobrin (2015), who foresaw a way forward that is "minilateral" rather than multilateral, i.e. consisting of issue-based coalitions of actors. Such a form of global governance is consistent with an integrated global economy characterized by complex economic flows embedded in a fragmented political system.

The commentary by Ram Mudambi discusses two related developments, the declining protection of low-skilled labor in developed countries due to lower spatial transaction costs, and the importance of borders or boundaries in an era of globalization. Mudambi argues that the discontent and fear felt particularly by low skilled workers in developed countries has two causes. First, for much of the postwar period, low-skilled labor enjoyed wages that were not proportional to their productivity. This was because improvements in productivity were the result of technological innovation and the use of knowledge-intensive goods, which were mobile across borders, in a location that had ample low skilled labor. This labor enjoyed the benefits of higher productivity as long as the labor markets were isolated from each other, meaning that there was no mass migration and no extensive investment in efficiency seeking manufacturing. The growth in efficiency-seeking investment together with much more extensive use of contractual partners in the value chain (offshoring) has effectively removed a protective barrier from low-skilled labor markets.

Labor markets in different parts of the world are now in direct competition with each other, even in the absence of mass migration. This is because the spatial costs of transacting have been reduced, while knowledge intensive assets are responsible for an increasingly large part of value-added. This often leads to substantial gains in the home countries of large MNEs where research and development, design, and branding are done, but it puts pressure on workers in industries in direct competition with foreign production. This would eventually happen in any case as a result of technological change, particularly in a large economy, but dwindling spatial barriers both within and across national borders greatly facilitates the process.

Second, Mudambi argues that while globalization diminishes the importance of borders as barriers to relocating value adding activity, it also enhances their significance as sources of identity and belonging. If managed well, national sentiment can be a source of strength and variety and lead to the promotion of goods that reflect local traditions and preferences; if managed poorly, such sentiment is simply fodder for populist politics and can lead to a rejection of all things foreign. These dangers notwithstanding, Mudambi sides with Rodrik in embracing the nation state as the primary unit of governance in the global economy. The fact that opposition to globalization is known to also come from those who have not been negatively affected by it lends credibility to the argument that the non-economic aspects of globalization need to be taken seriously.

This brings to mind the question posed by former U.S. Labor Secretary Robert Reich in an article entitled "Who is us?" (Reich, 1990). At the time the article was written, cross-border investment had altered the manufacturing landscape sufficiently for Reich to argue that the future of U.S. auto workers lay with Japanese, not American manufacturers. While the transfer of entire Japanese production systems to the U.S. had taken place, the location of production remained unchanged, although it had shifted within the U.S.. Today, the fine slicing of value chains is fundamentally changing the geography of production (Buckley, 2011; Mudambi, 2008; Schmitt & Van Biesebroeck, 2013). Activities that used to be performed together are often no longer performed that way, and competition is now at the task level. How does this change the definition of "us"? Industry boundaries are clearly too broad as high skilled and low skilled workers in the same industry now experience a very different reality. Are contractual suppliers in another country a part of the definition of "us"? Although they are an important part of the value chain, and economic success in the home country may rest on their performance, they do not fall within the scope of home country policy. At the same time, the U.N. Guiding Principles on Business and Human Rights introduced in 2011 (and the subsequently revised OECD Guidelines for Multinational Enterprises) view such activities as falling under the purview and due diligence obligations of the MNE, considerably widening the meaning of "us" (Lundan & Muchlinski, 2012).

In addition to the debate about globalization, populism, and global value chains, this inaugural issue features two empirical studies which demonstrate that international business-related policy issues can be approached from different perspectives, and that the available data can be interpreted in a different light. The first of these is a paper by Karin Beukel and Minyuan Zhao. It looks at where Fortune Global 500 MNEs choose to file for intellectual property (IP) protection and where they choose to litigate. They find a concentration of patenting and litigation in a limited set of countries with extensive litigation experience, and in firms with radical innovations or operating in highly concentrated industries. The fact that the global litigation map is quite different from that for global innovation raises several questions for further policy research, particularly in terms of the institutional development in some of the less-favored locations.

Their paper is an example of how MNE behavior results from transnational regulation but also contributes to shaping it. This has two aspects. The first is that activities that are traditionally associated with the nation state, such as legal enforcement and the settlement of disputes, or indeed taxation, have to be seen in a different light when one group of influential actors has the ability to arbitrage between locations. This choice has implications for MNEs as they attempt to choose the environment that is the most conducive to the performance of their activities, but also for their business partners and for national legal and regulatory systems. The second aspect is the adoption by MNEs of regulatory and market standards that prevail in dominant markets, for example privacy standards in the E.U., and their transfer within the firm to other markets where different standards apply (Bradford, 2017).

The second empirical paper, by Yasheng Huang and Heiwai Tang, deals with taxation, not in terms of transfer pricing or aggressive corporate tax minimization, but concerning the use of VAT rules in a potentially discriminatory manner. The very detailed data employed by Huang and Tang describe the situation in China a decade ago. While governments often implement policies that favor foreign investment, either in general or in specific sectors as in the case of China, they often also adopt policies that discourage or penalize foreign firms, such as measures intended to increase technology transfer. The paper provides an example of the use of policy measures that are not in the first instance directed at MNEs, but that can nonetheless offer a subtle channel through which governments can either favor or penalize foreign or domestic firms. Given that such measures are indirect, it is not surprising that the effects observed in the study are also subtle, but they are nonetheless favorable to foreign firms. These results demonstrate that looking at the effects of particular policies in detail and trying to parse out their impacts on particular groups, such as foreign firms, allows for a more complete picture of the impact of interrelated government policies.

The final paper of this issue is a literature review by Ans Kolk, Miguel Rivera-Santos, and Carlos Rufin on the impact of FDI and other forms of MNE activity on poverty in host countries. They situate their review in the broader context of the effects of globalization, where trade and investment facilitated by MNEs plays a large role, and that is separate from other anti-poverty initiatives, such a microfinance, that are primarily local. They analyze the literature in the top journals in business, economics and policy over the past decade, resulting in a set of 97 articles that examine the impact of MNEs on poverty alleviation concerning five different dimensions of poverty: material deprivation, lack of education, ill health, vulnerability, and voicelessness. They develop a conceptual framework mapping how different types of international business activities, core or peripheral, investment or trade-based, and with or without an explicit goal of poverty alleviation, affect the different dimensions of poverty, and how these relationships depend on country and industry characteristics. Based on this framework, the paper lays out a road map for further research in this important area which builds on the prior findings and throws light on some of the contextual factors influencing them.

## WHAT COMES NEXT?

International business is an interdisciplinary field that has always had as its focus the firm in its local context, and particularly the process of extending value adding activities across borders. The international business field has been influenced by the other social sciences in terms of theory, as well as empirical methods. Consequently, the field can be seen as a "broad tent" discipline, which means that it has uncommon breadth, but also that there is the danger of it becoming too diversified and losing focus on what is unique about its domain.

As Mudambi points out in his commentary, boundaries are important, because they allow us to define who we are. We define the domain of JIBP as one where the focus is on MNEs as one of the key actors influencing the policy process and shaping the institutions that regulate corporate behavior in the global economy. We have identified five policy "pillars" relevant to the JIBP domain: (1) international business promotion (outward MNE activity – trade and investment); (2) foreign business attraction (inward MNE activity); (3) industrial policy; (4) social, environmental, and development policy; and (5) transnational governance. The focus of the international business field on firm heterogeneity and firm-location co-evolution has the potential to lead to inspiring new research questions related to public policy in these key areas.

What can the field of international business contribute to resolving the grand challenges of this era, from the globalization backlash to the critical issue of sustainability in all of its dimensions, economic, political, social and environmental, as captured by the Sustainable Development Goals (SDGs) of the United Nations (Buckley, Doh, & Benischke, 2017; UNCTAD, 2014)? While not all of these challenges feature MNEs as relevant actors, either in terms of contributing to the problem or to its solution, a number of them hinge on their technological and organizational know-how, and on the balance that might be struck between the private interests of enterprises and the public interest of the societies from which MNEs draw their human and financial capital and other resources. International business scholars are thus in a privileged position to contribute to our understanding of these issues and to formulate effective policy responses to them, and we expect JIBP to become a primary outlet for such work.

What can readers expect to see in future issues of JIBP? The next few issues of the journal will have invited papers, all of which were either single- or double-blind reviewed. We hope that the papers in the inaugural volume will inspire international business scholars to contribute new research in this domain. At the same time, we welcome contributions from other disciplines that highlight policy issues previously unexplored in mainstream international business research. We acknowledge that our proposed approach will not be without challenges, since there are well-known translation problems when crossing disciplinary boundaries, and we will address some of these in subsequent issues of the journal.

Our most direct way to engage with the adjacent social science disciplines will be through special issues. The first one will focus on skilled and unskilled migration, migrant entrepreneurship and MNEs as employers, and will build on a mini-conference to be held alongside the AIB 2018 annual conference in Minneapolis. The second special issue will focus on the implementation of the SDGs, and the role of MNEs in providing investment, technology and engagement in institutional development. With these special issues, we also want to encourage the international business scholarly community to undertake innovative research, and to take a risk with a topic that is vital to our time and central to the field. The editors of JIBP are looking forward to engaging in a dialogue with authors concerning their paper ideas and developing them into impactful contributions.

## ACKNOWLEDGEMENTS

I wish to thank the JIBP Area Editors, the AIB Board, and the AIB Secretariat for their efforts in support of the launch of this journal. I am particularly grateful to JIBP Deputy Editor Ari Van Assche and JIBP Managing Editor Anne Hoekman for their extraordinary contributions. I also wish to acknowledge Jeremy Clegg, Robert Grosse, and Ram Mudambi, the "Group of Three", who tirelessly championed the new journal, and entrusted it to me. Finally, I wish to thank Alain Verbeke, the Editor-in-Chief of JIBS, for his generosity and kind assistance during the process leading up to the first issue.

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