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Revisiting Transnational Corporations' Literature: The Implicit Emphasis on Spatial Reflections

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ABSTRACT

This paper aimed to explore the different approaches to Transnational Corporations (TNC) with implicit emphasis on their spatial reflections. For this aim, major studies in the subject were examined according to their main concerns which were namely monopolistic advantage, internalization advantage and others (global dynamics, innovation, entrepreneurship and etc.). These studies were broadly consistent in concluding that the earlier ones on TNCs and their FDI were mostly firm-based studies and given emphasis to the monopoly and internalization advantages without taken into consideration spatial conditions. The studies realized after the 1970s were started to discuss about different factors in affecting FDI. A special emphasis was given to the locational characteristics of the host countries, i.e. natural resources, raw material, distance from the market, cheap labour power, unsupplied market. The changing dynamics of the global economy last four decades dictates that TNCs have to adjust their strategy and structure to better fit with the competitive environment, which can be understood from the studies realized in these years. In spite of the increased mobility in every aspect of our life and discussions on "annihilation of space by time", it was interesting to see an increase in the studies mainly concerned spatial dependency of TNCs.

Key Words: Foreign Direct Investment, Transnational corporations, Location, Globalization.

1. INTRODUCTION

The theory of TNCs and their FDI is currently a topic of central importance within the context of global economic relationships. TNCs those engage in FDI, i.e. as investments, which acquire a substantial controlling interest in a foreign firm or sets up a subsidiary in a foreign country. These corporations have played an increasingly significant role in the world economy particularly within the last three decades, and their enormous sizes as well as power make them a subject of great concern to consumers, producers, nation states, international organizations.

There is a vast literature straddling the boundaries of accountancy, management studies, and economics on TNCs and their FDI. This literature tends to focus on the implications of TNCs either for corporate performance, as expressed by such indicators as profitability and share value [1, 2, 3], or for public welfare conceived in terms of potential anti-competitive influences upon the functioning of markets and, ultimately, upon consumers [4]. There is, by contrast, a lack of research into the spatial reflections of capital structure transformations of the TNC [3]. Attempts to address the implications for national and regional economies are, by contrast with the extensive literature on Greenfield FDI [5], thin on the ground [6]. On an empirical level, Dunning [7] observes that "the effect of TNC on the trading structure of acquired firms and the implications for the economic welfare of the host country are unresearched topics in the literature". There is, therefore, a consensus that TNC's locational preference is critical, since, TNC's activity has an important influence upon the evolution of the space economy.

This study attempted to identify potential lines of enquiry in this neglected area by exploring the different approaches to TNC with implicit emphasis on their spatial reflections. The scope of the study was restricted to the three important theoretical cornerstones namely; the contribution of Hymer during the 1960s, "eclectic paradigm" that was developed by Dunning, and the emergence of the new world economy since the 1980s.

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These three cornerstones were examined briefly in the following sections.

2. HYMER'S APPROACH TO FDI

During the 1960s TNC has become the dominant organizational form of modern capitalism and commanded remarkable influence and power over the economic, social, political, and cultural lives of many nations and people. This situation has given rise to many conflicts, contradictions, and very often-destabilizing forces within both the national and international economies. Hymer addressed these and other aspects of TNCs [8, 9] and put forward to the first modern theory of "international operations" by large companies in his doctoral dissertation. Actually his doctoral dissertation, which was completed in 1960 but first published in 1976, is generally acknowledged to be a path breaking work, critical for the reformulation of the theory of foreign direct investment.

According to Hymer, **monopoly power**, i.e. created by the territorial expansion, **control** in the use of property rights (transferred to their foreign subsidiaries) and market imperfections are the main reasons for FDI. He viewed ***control*** by the foreign investor not merely as a desire to *determine the discreet use of assets* but as a strategic move to *eliminate competition between the investing enterprise and enterprises in other countries* [9]. In addition, international firms operate under the "market imperfections" [9]. On the contrary, some firms have advantages over others, such as economies of scale, absolute costs, patent rights, and the ability to command large capital and technological resources. Certain firms' enterprises are independent and may be located in different countries. Thus, profits in one country may be up while in other they may be down.

Hymer went on to examine the kind of ownership advantages that firms contemplating FDI might possess or acquire, as well as the kind of industrial sectors and market structures in which foreign production was likely to be concentrated. He was interested in the territorial expansion of firms as a means of exploiting or fostering their monopoly power. He overlooked the fact that an increased profit from the superior efficiency of foreign firms was not necessarily a social loss if the final products were not higher than they would otherwise be.

To conclude, Hymer emphasized three main factors pertaining to a firm's decision to become a TNC; *the possession of oligopolistic advantage, removal of conflict and internalization of "market imperfection"*. He went on the phenomenon of "cross investment" – firms in the same industry, but headquartered in different countries, investing in each other's country- can be explained as a reaction in an oligopolistic market. Much of the research done after that time, were refinement or extension of the concepts of oligopoly and internalization. Kindleberger [10, 11] Vernon [12, 13, 14] and Caves [15, 16] are the best-known to have expanded the "Monopolistic advantage" aspect of Hymer's theory. They have asserted that foreign investment *presupposes* some degree of monopoly advantage; firms entering new market, must have some advantages over local firms in order to overcome the disadvantages that they have in being forced to operate in a new environment. On the other hand, Coase [17], Buckley and Casson [18], Williamson [19, 20, 21], Hennart [22, 23, 24, 25], Teece [26, 27, 28, 29] and Rugman [30, 31] can be accounted for the other major contributions of the "internalization" aspect of Hymer's work.

Although Coase and Williamson did not study on international firms, their studies are mentioned in this section. Since, they focused on the existence and growth of the firm in terms of costs and benefits of internal transactions –and therefore of internal allocation of resources- versus the costs and benefits of external transactions and therefore of allocation of resources through the market, which is the main point of the all national and international firms in this context.

2.1. Monopolistic advantage

The main idea in monopolistic advantage aspect is that there exist natural disadvantages for a foreign firm operating outside its country of origin: language, cultural and other related problems. Accordingly, for a firm still is able to take overseas activities through FDI, it must be case that the firm possesses the advantage which indigenous firm do not [32]. Technology, know-how, management and liquidity-related advantages could thus be exploited in order to overcome the inherent disadvantages of FDI and make contemplated overseas operations more attractive.

There are two important traditions developed monopolization concept; Hymer-Kindleberger-Caves (HKC) tradition and Vernon's Product Cycle Model (PCM) Mark II studies. In HKC tradition, monopolistic advantages may facilitate *a process of monopolization abroad*, thus potentially reduce the welfare of the host countries. For example, Kindleberger [10] expresses the belief that the long-run benefits of TNCs will offset any short-run costs, the fact that the HKC tradition recognizes the possibility of the existence of both efficiency and inefficiency aspects of TNCs' operations. The possibility that TNCs will try to monopolize global markets so as to obtain monopoly profits and that in so doing they will tend to behave collusively (eliminate conflict) has been developed "global reach" variant of Hymer's theory [33]. Caves explain the interrelation between oligopoly and the Pareto-efficiency in his studies as follows: "the essence of oligopoly is that firms are few enough to recognize the impact of their actions on their rivals and thus on the market as a whole. . . . When an industry contains one firm (monopoly) or many firms (pure competition), the individual sellers react only to impersonal market forces. In oligopoly they react to one another in a direct and personal fashion. This inevitable reaction of sellers in an oligopolistic market we call mature interdependence. . . where mutual interdependence exists, sellers do not just take into account the effects of their actions on total market….., they also take into account the effects of their actions on one another. Oligopoly becomes something like a poker game [34].

Another important explanation in this subject comes from *Vernon's later product cycle* studies [35]. In linking TNCs' decisions to monopolistic structures Vernon argues that, TNC can create an oligopoly in the market by using its production and marketing advantages. Technology creation, innovation, cost reduction and cheap labour are the main factors of oligopoly in this competitive market. He identifies three stages of oligopoly as an extension of his earlier studies, namely innovation-based oligopoly, mature oligopoly and senescent oligopoly. This oligopolistic structure reflects to space in three different forms; near the headquarter (innovation stage), in the rival's region (stabilizing the market shares stage) and in the world-market (concentration on the international scale).

The first stage is *innovation-based oligopoly*, which is much the same as PCM Mark I, except that on the supply side not only are labour-saving innovations recognized, but also land-saving and material-saving ones [18]. The object of the TNCs' research and development (R&D) activities is to dominate a field by early innovation and to collect a monopoly rent.

There are two locational issues in the innovation-based oligopoly which are of special interest: first the location of the processes of R&D themselves; second, the location of the processes of production. Vernon argues that once innovation leads have disappeared in an industry the process of location can be viewed again in terms of the classical model [14]. Actually, innovation heavily influences the choice of location of the first production facility for the new product. Depending on where the first facility was located, differences in the cost structures (especially differences in factor costs) between countries may lead to different locational responses on the part of innovators. On the other hand, the locational determinants of R&D activities, i.e., input costs, communication density with supplied market, are changing according to the type of the industry. The geographical location of work on industrial innovation is determined by factors that are quite different from those relating to more abstract scientific research. The basic propositions, however, still seem valid; the directions of innovation in the firm will be influenced by the conditions of the markets that are in the best position to stimulate it; and the industrial development activities that stem from such stimulation will tend to be located close to the headquarters to develop a close contact with the prospective market.

The second stage of the cycle*, mature oligopoly* is very different. Here, "*the basis for the oligopoly is not the advantages of product innovation but the barriers to entry generated by scale in production, transportation or marketing"* [14]. Economies of scale in production, marketing and research constitute an effective entry barrier, behind which rival firms, each sensitive to the other's actions, play out a business game. Each player nullifies aggressive strategies initiated by the others, by matching them move for move. A leader entering an unsupplied market is immediately followed by his rivals. The ultimate sanction against a rival is the instigation of a price war: because tariffs tend to immunize firms from price competition through imports, firms set up production in their rivals' major markets to strengthen their bargaining position. The ultimate aim is to stabilize the world-market shares of the rival firms through pricing conventions and/or hostages and alliances. Stability being achieved when each of the rival firms produces in each of the world's major markets. Vernon emphasizes that *"there is a hint in support of the proposition that the search for stability in the mature oligopolies leads to a geographical concentration of investment which could not be explained on the basis of comparative costs*" [14]. He reaches similar specific conclusions regarding location of production by TNCs; "… *there is a strong possibility that the existence of multinational enterprises in the mature industries tends to concentrate economic activity on geographical lines, to a degree that is greater than if multinational enterprises did not exist"* [14].

The final stage is *senescent oligopoly,* in which economies of scale finish to be an effective restriction to entry, and after attempting to raise other barriers, e.g. by differentiating their product through advertising, the producers merge themselves to competitive pressures. Some leave the industry altogether while others, who may have favoured access to factor supplies, stay on. In this way the location of production at last becomes determined by competitive forces acting on interregional cost differentials [18].

It is not wrong to say that there is an evolution in Hymer's monopoly concept. Since, Hymer mainly emphasizes "desire to control of foreign subsidiary", on the other hand, in HKC tradition the conceptualization of "monopoly" is taken place "monopolize the global market" for the aim of "global reach" variant of Hymer. Additionally, Vernon, in PCM Mark II, argues that production and marketing advantages create monopoly and the main determinant here is "innovation" for oligopoly. Monopolization concept has reached a point in which "***global and innovative***" terms are the major clues.

2.2. Internalization Approach

Affiliates of this approach emphasize the *internalization of market imperfections* aspect of Hymer's theory. Unlike Hymer's emphasis on structural imperfections, such as bilateral monopoly problems, they suggest that TNCs internalize "cognitive" or "natural" market imperfections, defined as those arising out of excessive market transaction costs [32]. The basic notion that the *firm exists in order to reduce the costs associated with the operation of the price mechanism* dates back to Coase. The forceful reintroduction and extension of Coase's insight is due principally to Williamson [19, 20, 21].

Coase brought to the attention of economists the inconsistency between two different assumptions in his seminal paper [17]. The first assumption is that, in market economies, resources are allocated via the price mechanism and the second assumption or reality that, within the firm, such allocation is done by planning and

organization rather than through arm's length transactions [36]. Coase's approach explains the existence and growth of the firm in terms of costs and benefits of internal transactions –and therefore of internal allocation of resources- versus the costs and benefits of external transactions and therefore of allocation of resources through the market.

Coase postulates that transactions within hierarchical structures of the firm are presumed to be less costly than spot market transaction costs. Consequently, firms serve internalize markets, of which economic allocative efficiency increases. The level of transaction costs provides the source of economic justification for the existence of firms [37].

Williamson, on the other hand, identifies the transaction cost approach with his specific variant; the "markets and hierarchies" approach [21]. For Williamson, whereas market transactions involve exchange between autonomous economic entities, hierarchical transactions are ones for which a single administrative entity spans both sides of the transaction, some from subordination prevails, and, typically, consolidated ownership obtains [19]. He clarifies three main factors; bounded rationality (cognitive and language limits on "individuals" ability to process and act on information), opportunism (self-interest seeking with cleverness) and asset specificity (specialization of assets with respect to use or user) give rise to high market transaction costs, such as the costs of searching, contracting, negotiating and policy agreements. These costs can be reduced, if the market is superseded by a hierarchical structure, such as the firm. The existence of firms can thus result in decreased transaction costs.

Rugman [30] explicitly builds on Williamson's "markets and hierarchies" approach as a framework for analyzing the existence of TNCs. Rugman defines internalization as the process of making a market within a firm in which: "internal prices or transfer prices of the firm lubricate the organization and permit the internal market to function as efficiently as a potential, but unrealized, regular market" [30].

The ***transaction costs*** one of the main concern of internalization theory has been developed by Buckley and Casson [18], who also focused specifically on the TNCs. Hennart [22], Teece [26, 27, 28] and Rugman [30, 33] are also major contributors to this theory. Transaction cost theory constitutes a general theory of economic organization which can explain the choice between hierarchical co-ordination and other forms of organization, such as spot markets and contracts, and hence provides a key element in understanding the reasons for the existence and the development of TNCs [25]. The main claim here is that *the use of market alternatives to FDI, such as licensing, can result in excessive transaction costs due to the "public goods" nature of a number of intangible assets, such as knowledge, managerial skills and technology, and the associated appropriability problems*.

According to Buckley and Casson, transaction theory depends on the assumption of profit-maximization and four main groups of factors are relevant to the internalization decision [18]: the first and the most crucial factor is the ***industry-specific factors*** related to the nature of the product and markets, and lead to the internalization of markets for intermediate products and thus to vertical integration. Second one is the ***region-specific factors***, and third one is the ***nation-specific factors***, and the last one is the ***firm-specific factors***, which reflect the firm's ability to organize and manage internal markets efficiently. Although all these factors suggest strong reasons for internalizing markets for intermediate products, the main explanations of this theory mainly emphasize industry-specific factors.

Transaction cost researchers have mostly been concerned with factors that determine market transactions, and have built a theory of the TNC from differences in their level of across transactions (and, at a higher level of aggregation, industries) up to now. These scholars have begun to analyze factors that lead to differences across activities in the internal organization costs experienced by TNCs. A complete theory of TNC, which requires the simultaneous consideration of both types of costs, ***market transaction costs*** as well as ***internal organization costs***, is slowly emerging, providing a rich set of insights and testable propositions that will advance theory, policy and practice.

All these theories mentioned up to here, are the extensions of Hymer's conceptualization for FDI. But, by the 1980s, a different approach developed by Dunning in the direction of reorganization and redefinition of these theories and constructing a general framework for them.

3. DUNNING'S ECLECTIC PARADIGM

A synthesis of monopoly and internalization / transaction costs tradition has been offered by Dunning's "eclectic paradigm" [38, 39, 40, 41]. In eclectic paradigm, ownership advantages and internalization of market transactions are the main reasons for TNCs as well as "locational factors", namely factors specific to "host" country. Indeed, Dunning's early work on the TNC explained US TNCs' activities in Europe in terms of such locational factors [38]. The role of such factors has received little attention from other researchers (except Vernon, Buckley and Casson), partly owing to the belief that locational differences between developed countries are not important. The eclectic paradigm, unlike the other theories mentioned above, is accepted ***a general framework for the activities of enterprises engaging in cross-border trade activities***.

According to Dunning [42], "…geography and industrial composition of foreign production undertaken by TNCs is determined by the interaction of three sets of interdependent variables –which themselves, comprise the components of three sub-paradigms: ownership, location and internalization" (OLI). A firm's *ownership advantage* could be a product or a production process to which other firms do not access, such as patent, blueprint, or trade secret. It could also be

intangible, like a trademark or reputation for quality. Whatever its form, the ownership advantage confers some valuable market power and cost advantage on the firm to outweigh the disadvantages of doing business abroad [41]. Property rights and/or intangible asset advantage and advantages of common governance, that is, of organizing ownership advantage with complementary assets can be mentioned as important topics for ownership advantages.

In addition, the foreign market must offer a *location advantage* that makes it profitable to produce the product in the foreign country rather than simply produce it at home and export it to the foreign market [41]. Although tariffs, quotas, transport costs, and cheap factor prices are the most obvious sources of location advantages, factors such as access to customers can also be important.

Finally, the TNC must have an *internalization advantage*. This condition is the most abstract of the three. If company has a product or production process and if, due to tariffs and transport costs, it is advantageous to produce the product abroad rather than export it; it is still not obvious that the company should set up a foreign subsidiary. Reasons referred to as internalization advantage: that is, the product or process is exploited internally within the firm rather than externalize it [41, 43, 44].

As the world economic scenario has changed, and as the international production by TNCs has grown, new explanations of the eclectic paradigm have been put forward at the last three decades. Dunning emphases have included requirement of updating studies especially on ownership and location specific advantages of the eclectic paradigm in his later studies [42]. Markets have become more liberalized, and wealth-creating activities have become more knowledge intensive, the emphasis is more on capabilities to access and organize knowledge intensive assets from through out the world and to integrate these, not only with their existing competitive advantages, but with those of other firms engaging in complementary value-added activities. Hence, the emergence of alliance capitalism, and the need of firms to undertake FDI to protect, or augment, as well as to exploit, their existence ownership specific advantages. Hence, too, the growing importance of transnationality, per se, as an intangible asset in its own right.

According to Dunning, researches realized in the last three decades emphasize the new locational variables; for example, exchange rate and political risks, the regulations and policies of supra-national entities, inter-country cultural differences; and give different value other variables common both to domestic and international locational choices. These add-on or re-valued variables should be accommodated to the analytical structure of OLI paradigm.

Actually, as Dunning explains there are some changes directly affected foreign activities of TNCs in the world economy over the three decades and these changes and effects on TNCs will be examined in detail in the next section.

4. NEW APPROACHES TO THE EXPLANATIONS OF FDI

The 1990s were the years in which radical changes have occurred in the world order called as “globalization”. Despite the increasing volume of theory and research on globalization there are still those who claim that the phenomenon is not new, very much exaggerated or even that it is a myth (for example, Hirst and Thompson [45] Weiss [46], etc.). No matter that is namely “globalization or not”, but, it is undeniable that there are striking changes in the world namely in economic, social and spatial aspects.

The changing dynamics of the global economy dictates that TNCs have to adjust their strategy and structure to better fit with the competitive environment. Especially in the late twentieth century, increasingly rapid technological innovation and diffusion are fundamentally altering the nature of global competition, strategy and organization.

TNCs are generally capitalist enterprises (a small number of TNCs are state-owned enterprises but they are in the minority) and they must behave according to the basic “rules” of capitalism. The most fundamental of these is the “profit maximization” which is at the core of all capitalist activity. Undoubtedly, a capitalist market economy is an intensely competitive economy. One firm’s profit may be another firm’s loss unless the whole system is growing sufficiently strongly to permit all firms to make a profit. Even so, some will make a larger profit than others. A key feature of today’s world, of course, is that ***competition is increasingly global*** in its extent [47, 48]. Firms are no longer competing largely with national rivals but with firms in the global economic market.

A major ingredient of the “globalization” scenario outlined by Dicken [49], is the idea that many conceptual redefinitions for TNCs, such as;

- TNCs are becoming “global corporations”,
- TNCs are becoming “denationalized” and “stateless”,
- TNCs are becoming “placeless” [49],
- TNCs are becoming locally embedded [50, 51, 52, 53].

The idea that TNCs are **global corporations** whose ways of doing things have converged towards a single globally integrated model. The pressures of operating in a globally competitive environment, it is argued that, is creating a uniformity of strategy and structure among TNCs. All TNCs are moving along the same path. In so doing, TNCs lose all identification with, or allegiance to, particular countries and communities. They become, in effect, **placeless**. Moreover, according to Ohmae, TNCs have become -or becoming**- denationalized** [54]. In Ohmae’s research “*Before national identity, before local affiliation, before German ego or Italian ego or*

Japanese ego –before any of this comes the commitment to a single, unified global mission… Country of origin does not matter. Location of headquarters does not matter. The products for which you are responsible and the company you serve have become denationalized" [54].

All these arguments are still discussed and many researches and empirical studies challenge these conditions. For example, according to Dicken [49], TNCs are not global corporations, and they are strongly affected by specific national and local environments. The TNC's home environment remains fundamentally important to how it operates, notwithstanding geographical extensiveness of its activities. All TNCs have an identifiable home base and every TNC is embedded within its domestic environment. Undoubtedly, the more geographical extensive its operations the more likely it will be to take on some characteristics of its host environments. But even where there is substantial local adaptation and local embeddedness, the influence of the firm's geographical origins remains very strong.

In order to clarify whether the TNCs are global corporations or not, Dicken calculated "*transnationality index*" of world's largest 100 TNCs in 1994. The companies are ranked by their "index of transnationality" which is based upon three indicators: foreign sales, foreign assets and foreign employment. According to Dicken "*if the global corporation hypothesis is valid then it would be expected to find that at least the majority of these largest TNCs have the overwhelming their assets and employment outside their home country*" [49]. Whereas, only 42 of the 100 companies have an index of greater than 50; a mere 13 have an index greater than 75. Significantly, the 13 most transnational firms originate from small countries. Conversely, the biggest TNCs in terms of total foreign assets all have relatively low transnational index scores. On this measure, therefore, there is a little evidence of TNCs having the share of their activities outside their home countries, which might be expected if they are global firms.

Different empirical analyses of Hu [55], Ruigrok and Tulder [56] and etc. reached the similar conclusions with Dicken's analysis. Hu concludes that, *TNC is a national corporation with international operations*. Thus, despite many decades of international operations, TNCs remain distinctively connected with their home base. Ford is still an American company, ICI a British Company, Siemens a German company [55]. Social, cultural, political and economic characteristics of national home base play dominant part. This is not to claim that TNCs from a particular national origin are identical. Within any national situation there will be distinctive corporate cultures, arising from the firm's specific corporate history. However, there are generally greater similarities than differences between firms from the same national base.

Pauly and Reich [57] mentioned in their empirical research one aspect of the "TNCs are not placeless" argument is that the conditions in which firms develop in their home countries continue to exert a very strong influence on their subsequent behavior when operating outside their home country [57]. The other aspect of the argument that "geography matters" concerns the extent to which firms operating in different countries take on some of the characteristics of those host environments. Although the influence of the home base is highly significant, this does not mean that it is totally deterministic of how firms operate abroad. For a whole variety of reasons foreign firms invariably have to adopt some of their domestic practices their local conditions. According to Dicken [49], Pauly and Reich [57] are probably correct in observing that although TNCs originate from different home bases they "*appear to adopt themselves at the margins but not much at the core"*.

Actually, mostly emphasized discussion is "TNC are becoming locally embedded" which is emphasised in these days [51, 52, 53, 58, 59]. Although the term "mobile investment" is suggestive of the idea that transnational manufacturing investments are footloose and not tied to particular locations and regions, the vast bulk of transnational investment is, to an extent, tied to particular locations and regions. TNCs invest large amount of time, money and human resources in establishing and maintaining production at particular locations, so there will be non-recoverable sunk costs in these locations. To the extent that firms become attached to, or embedded in, particular locations in this way.

The most of the studies realised after the year 2000, emphasize the technology-based "competitive advantages of TNC" in the new global economy and focus on the affects of "Innovation strategy of TNC" on both home and host countries' economic structures [60, 61]. Actually, TNCs involvement in overseas R&D has increased significantly during the past decade. TNCs from North America, Europe, Japan, and South Korea have accelerated the pace of their direct investments in overseas R&D. In addition, a number of TNCs have established or acquired multiple R&D laboratories abroad and are increasingly integrating these laboratories into a global R&D network. Empirical studies show that these types of investments have a direct effect on the economic growth of the host country [62-65].

Undoubtedly, there are other events, which should be emphasized in further studies; like organization of firms, technological development structure and social and cultural values of the host country and the effects of host and home countries' governments on the TNC activities and etc.

5. CONCLUDING REMARKS FOR FURTHER RESEARCHES

This paper aimed to explore the different approaches to Transnational Corporation (TNC) with implicit emphasis on their spatial reflections. Actually, there are three important turning points in the evolution of FDI; Hymer's study in the 1960s, Dunning's "eclectic paradigm" in the 1970s and 1980s and changes in the

world economy. Most of the researches done after Hymer can be seen as a refinement or an extension of his theory. So, there is an evolution of these concepts and emergence of new concepts in time. For example, at the beginning **monopoly** gained by "controlling foreign subsidiary", but in time monopoly realized by "being innovative". On the other hand, **internalization** brings different and newly emerged organizational forms; networks, strategic alliances and etc. A synthesis of monopoly and internalization tradition has been offered by Dunning's "eclectic paradigm". The eclectic paradigm, unlike the other theories mentioned above, is accepted a general framework and thus an important landmark for (not a TNC theory per se, but rather of) the activities of enterprises engaging in cross-border trade activities. Finally, with the emergence of "new economy" and increasing importance of innovation after the 1980s, conceptual redefinitions for TNCs are started to be discussed.

The clarification of the role of location in these theories is very important, because TNC's activity has an important influence upon the evolution of the space economy [66]. Most of the earlier theories are micro level/firm-based theories. These micro level/firm-based explanations for international activities has been started to replace with broad national based/macro level explanations. Concepts using in the definition of FDI and TNCs have also been altered in time. At the beginning, conceptual discussions were generally around the questions of "what is foreign investment?" and "why firms invest abroad?". But then, these questions have started to include "technology transfers" with FDI, "networks of TNCs", "regional innovation systems" with TNCs and etc.

After the second half of the 1970s, different factors have becoming to affect decision-making process of TNCs, demand for new product and its location, competitive environment in the market, existing oligopolistic structure and etc. It can be said that given emphasis on "location" has increased in this process. Especially, studies of Vernon, Buckley and Casson focus on technology and locational preferences production stages. Their main argument is that "there is a relationship between production/new product and its location in terms of multinationality" and "parallel to the stages of production and market conditions, the locational preferences of firms can be differentiated". Location is used as a physical factor, like natural resources, raw material, distance from the market, and as a social factor, like cheap labour power, unsupplied market, affecting foreign investment in all these theories.

As mentioned above, a general theory of FDI comes from Dunning's in the name of "eclectic paradigm" brings a comprehensive explanation for FDI and the main argument of it is that there are three important factors affecting foreign investment, ownership, location and internalization. Actually, this is the first theory in which "location" is defined as a crucial in determinant factor affecting decision-making process of TNC. Artificial barriers to trade in goods and services, international communication and transport costs, investment incentives and disincentives (including performance requirements, etc.), societal and infrastructure provisions (commercial, legal, educational, transport and communication), cross-country ideological, language, cultural, business, political differences economies of centralization of R&D production and marketing, economic system and strategies of government: the institutional framework for resource allocation, are accepted the locational factors affecting to TNCs.

This general perspective to the FDI continues in the globalization process, with some changes. Developments of the last 30 years have made internationalization a central issue for economic life. The changing dynamics of the global economy dictates that TNCs have to adjust their strategy and structure to better fit with the competitive environment. Especially in the late twentieth century, increasing in technological innovation and its diffusion are fundamentally altering the nature of global competition, strategy and organizations. Thus, new discussions on the redefinition of TNCs are emerged in this process.

It is suggested that, for the most part, the many and varied explanations of the extent and structure of FDI and TNC activity are complementary, rather than substitutable for, each other, and are strongly context specific. It was further observed that as the international production by TNCs has grown and taken on new patterns, as the world economic scenario has changed, as scholars have better understood the reason for FDI, so new explanations of the phenomena have been put forward, and existing explanations have been modified and, occasionally, replaced. Whether TNCs are denationalized or not? are they global corporations? are they becoming placeless? and are they embedded in particular a location? TNCs are some of the newly emerged discussions and further researches should therefore address these questions by supporting empirical studies.

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