

[Home](#) > [The Eclectic Paradigm](#) > Chapter

The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions

| Chapter

| pp 50–84 | [Cite this chapter](#)



The Eclectic Paradigm

[John H. Dunning](#)

 1651 Accesses  34 [Citations](#)

Abstract

This article reviews some of the criticisms directed towards the eclectic paradigm of international production over the past decade, and restates its main tenets. The second part of the article considers a number of possible extensions of the paradigm and concludes by asserting that it remains “a robust general framework for explaining and analysing not only the economic rationale of economic production but many organisational and impact issues in relation to MNE activity as well.”

Keywords

[Foreign Direct Investment](#)[Host Country](#)[Direct Investment](#)[International Business](#)[Market Failure](#)

These keywords were added by machine and not by the authors. This process is experimental and the keywords may be updated as the learning algorithm improves.



This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this chapter

[Log in via an institution →](#)

^ Chapter

EUR 29.95

Price includes VAT (Poland)

- Available as PDF
- Read on any device
- Instant download
- Own it forever

[Buy Chapter →](#)

^ eBook

EUR 85.59

Price includes VAT (Poland)

- Available as EPUB and PDF
- Read on any device
- Instant download
- Own it forever

[Buy eBook →](#)

^ Hardcover Book

EUR 106.99

Price includes VAT (Poland)

- Durable hardcover edition
- Dispatched in 3 to 5 business days
- Free shipping worldwide - [see info](#)

[Buy Hardcover Book →](#)

Tax calculation will be finalised at checkout

Purchases are for personal use only

[Institutional subscriptions](#) →

Preview

Unable to display preview. [Download preview PDF.](#)

References

Aliber, R. 1970. A theory of foreign direct investment. In C.P Kindleberger, *The international corporation*. Cambridge: MIT Press.

[Google Scholar](#)

—. 1983. Money, multinationals and sovereigns. In C.P. Kindlberger and D.B. Audresch, *The multinational corporation in the 1980s*. Cambridge: MIT Press.

[Google Scholar](#)

Bain, J.S. 1956. *Barriers to new competition*. Cambridge, Mass.: Harvard University Press.

[Book](#) [Google Scholar](#)

Boddewyn, J. 1983. Foreign divestment theory: Is it the reverse of FDI theory? *Weltwirtschaftliches Archiv*, 119:345–55.

[Article](#) [Google Scholar](#)

—. 1986. International political strategy: A fourth 'generic' strategy? Paper presented to the Academy of International Business Annual Meeting, London,

November 1986.

[Google Scholar](#)

Buckley, P.J. 1983. Macroeconomic versus international business approach to direct foreign investment: A comment on professor Kojima's interpretation. *Hitosubashi Journal of Economics*, 24:95–100.

[Google Scholar](#)

—. 1985. The economic analysis of the multinational enterprise: Reading v. Japan. *Hitosubashi Journal of Economics*, 26:117–124.

[Google Scholar](#)

—. 1986. *The limits of explanation: Tests of the theory of the multinational enterprise*. Paper presented to Academy of International Business Annual Meeting, London, November 1986.

[Google Scholar](#)

Cantwell, J.A. 1986. *Technological innovation and international production in the industrial world: A study of the accumulation of capital in international networks*. Ph.D. thesis, University of Reading, 1986.

[Google Scholar](#)

Casson, M.C. 1979. *Alternatives to the multinational enterprise*. London: Macmillan.

[Book](#) [Google Scholar](#)

—. 1985. The theory of foreign direct investment. In P.J. Buckley & M.C. Casson, *The economic theory of the multinational enterprise*. London: Macmillan.

[Google Scholar](#)

—. 1986a. General theories of the multinational enterprise: A critical examination. In P. Hertner & G. Jones, eds., *Multinationals: Theory and history*. Aldershot & Brookfield, Vt.: Gower.

[Google Scholar](#)

—. 1986b. The role of vertical integration in the shipping industry. *Journal of Transport Economics and Policy* 22 (January):7–29.

[Google Scholar](#)

—. 1986c. *Alternative contractual arrangements for technology transfer: New evidence from business history*. University of Reading, Discussion Papers in International Investment and Business Studies No. 95 (May).

[Google Scholar](#)

—. 1986d. Foreign divestment and international rationalization: The sale of Chrysler (UK) to Peugeot. In J. Coyne & N. Wright, eds., *Divestment and strategic change*. Oxford: Philip Allan.

[Google Scholar](#)

—. 1987. *The firm and the market*. Oxford: Basil Blackwell.

[Google Scholar](#)

Coase, R.H. 1937. The nature of the firm. *Economica*, 4 (November):386–405.

[Article](#) [Google Scholar](#)

Contractor F & P. Lorange. 1987. *Cooperative strategies in international business*. Lexington, Mass.: Lexington Books.

[Google Scholar](#)

Davidson, W.D. 1976. Patterns of factor saving innovation in the industrialized world. *European Economic Review*, 8:207-17.

[Article](#) [Google Scholar](#)

—. & D.G. McFeteridge. 1984. International technology transaction and theory of the firm. *Journal of Industrial Economics*, 32:253-64.

[Article](#) [Google Scholar](#)

—. 1985. Key characteristics in the choice of international transfer mode. *Journal of International Business Studies*, 16 (Summer).

[Google Scholar](#)

DeMeyer, A. & K. Ferdows. 1984. *Integration of information systems in manufacturing*. INSEAD Research Working Papers No. 13, December.

[Google Scholar](#)

Dunning, J.H., ed. 1971. *The multinational enterprise*. London: Allen & Unwin.

[Google Scholar](#)

—. 1981. *International production and the multinational enterprise*. London: Allen & Unwin.

[Google Scholar](#)

—. 1982. International business in a changing world environment. *Banco Nazionale del Lavoro Quarterly Review*, 143:351-373.

[Google Scholar](#)

—. 1983a. Changes in the structure of international production: The last 100 years. In M.C. Casson, ed., *The growth of international business*. London: Allen & Unwin.

[Google Scholar](#)

—. 1983b. Market power of the firm and international transfer of technology. *International Journal of Industrial Organisation*, 1:333–351.

[Article](#) [Google Scholar](#)

—. 1986a. *Japanese participation in British industry*. London: Croom Helm.

[Google Scholar](#)

—. 1986b. *Decision-making structures in US and Japanese manufacturing affiliates in the UK: Some similarities and contrasts*. Geneva: ILO Working Paper No. 41.

[Google Scholar](#)

—. 1986c. The investment development cycle and third world multinationals. In K.M. Khan, ed., *Multinationals of the south*. London: Francis Porter.

[Google Scholar](#)

—. 1987a. International business and economic restructuring. In N. Hood & J.E. Vahlne, eds., *Strategies in global competition*. London: Croom Helm.

[Google Scholar](#)

—. 1987b. *Cross-border corporation integration and regional integration*. University of Reading Discussion Papers in International Investment and Business Studies No. 105, July.

[Google Scholar](#)

— & J. Cantwell. 1986. *The changing role of multinational enterprises in the international creation, transfer and diffusion of technology*. University of Reading Discussion Papers in International Investment and Business Studies No. 101, December.

[Google Scholar](#)

— & M. McQueen. 1981. The eclectic theory of international production: A case study of the international hotel industry. *Managerial and Decision Economics*, 2 (December): 197-210.

[Article](#) [Google Scholar](#)

— & R.D. Pearce. 1985. *The world's largest industrial enterprises 1962-83*. Aldershot: Graver.

[Google Scholar](#)

— & G. Norman. 1985. Intra-industry production as a form of international economic involvement. In A. Erdilek, ed., *Multinationals as mutual invaders*. London: Croom Helm.

[Google Scholar](#)

— & A. Rugman. 1985. The influence of Hymer's dissertation on theories of foreign direct investment. *American Economic Review*, May:228-32.

[Google Scholar](#)

Ergas, H. 1984. *Why do some countries innovate more than others!* Brussels: Center for European Policy Studies.

[Google Scholar](#)

—. 1985. Corporate strategies in transition. In A. Jacquemin, *Industrial policy and international trade*. London: Cambridge University Press.

[Google Scholar](#)

Ethier, W.J. 1986. The multinational firm. *Quarterly Journal of Economics*, 101:805-833.

[Article](#) [Google Scholar](#)

Franko, L. 1976. *The European multinationals*. New York: Harper.

[Google Scholar](#)

Graham, E.M. 1978. Transatlantic investment by multinational firms: A rivalistic phenomenon. *Journal of Post Keynesian Economics*, 1 (Fall).

[Google Scholar](#)

—. 1985. Intra-industry direct investment, market structure, firm rivalry and technological performance. In A. Erdilek, ed., *Multinationals as mutual invaders*. London, Croom Helm.

[Google Scholar](#)

—. 1986. *Internal economies, oligopoly reaction and dynamic contestability in global industries: A first cut at synthesis*. Mimeo.

[Google Scholar](#)

Gray, H.P. 1982. Towards a unified theory of international trade, international production and direct foreign investment. In J. Black & J.H. Dunning, eds., *International capital movements*. London: MacMillan.

[Google Scholar](#)

—. 1985. Multinational corporations and global welfare: An extension of Kojima and Ozawa. *Hitosubashi Journal of Economics*, 26 (December): 125–132.

[Google Scholar](#)

Grosse, R.R. 1985. An imperfect competition theory of the MNE. *Journal of International Business Studies*, 16 (Spring):57–80.

[Article](#) [Google Scholar](#)

Grubel, H.G. & P.J. Lloyd. 1975. *Intra-industry trade, the theory and measurement of international trade in differentiated products*. London: MacMillan.

[Google Scholar](#)

Guisinger, S. 1985. *Investment incentives and performance requirements*. New York: Praeger.

[Google Scholar](#)

Hamel, G. & C.K. Prahalad. 1987. Creating global strategic capability. In N. Hood and J.E. Vahne, eds., *Strategies in global competition*. London: Croom Helm.

[Google Scholar](#)

Hayes, R.H. & S.C Wheelwright. *Restoring our competitive edge: Competing through manufacturing*. Chichester & New York: John Wiley.

[Google Scholar](#)

Helpman, E. 1984. A simple theory of international trade with multinational corporations. *Journal of Political Economy*, 92:451–47.

[Article](#) [Google Scholar](#)

Hennart, J.F 1982. *A theory of multinational enterprise*. Ann Arbor: University of Michigan Press.

[Google Scholar](#)

—. 1986. What is internalization? *Weltwirtschaftliches Archiv*, 122: 791–804.

[Article](#) [Google Scholar](#)

Hertner, P. & G. Jones. 1986. *Multinationals: Theory and history* Aldershot & Brookfield, Vt.: Gower.

[Google Scholar](#)

Hirsch, S. 1976. An international trade and investment theory of the firm. *Oxford Economic Papers*, 28:258–70.

[Google Scholar](#)

Horst, T.O. 1972. Firm and industry determinants of the decision to invest abroad. *Review of Economics and Statistics*, 54 (August).

[Google Scholar](#)

Horstman, I. & J.R. Markusen. 1986. *Licensing v direct investment: A model of internalization by the multinational enterprise*. University of Western Ontario, mimeo.

[Google Scholar](#)

Hymer, S. 1960. *The international operations of national firms: A study of direct investment*. Ph.D. thesis, MIT (published by MIT Press under the same title in 1976).

[Google Scholar](#)

Imai, K. 1985. Network organization and incremental innovation in Japan.

Institute of Business Research, Hitotubashi University. Discussion Paper No. 122, July.

[Google Scholar](#)

Johanson J. & L.G. Mattsson. 1987. Internationalization in industrial systems — A network approach. In N. Hood & J.E. Vahne, ed., *Strategies in global competition*. London: Croom Helm.

[Google Scholar](#)

Knickerbocker, F.T. 1973. *Oligopolistic reaction and the multinational enterprise*. Cambridge, Mass.: Harvard University Press.

[Google Scholar](#)

Kogut, B. 1983. Foreign direct investment as a sequential process. In C.P. Kindleberger & D. Audretsch, eds., *The multinational corporation in the 1980s*. Cambridge: MIT Press.

[Google Scholar](#)

—. 1985a. Designing global strategies: Corporate and competitive value added chain. *Sloan Management Review*, 25 (Summer): 15–28.

[Google Scholar](#)

—. 1985b. Designing global strategies: Profiting from operational flexibility. *Sloan Management Review*, 26 (Fall):27–38.

[Google Scholar](#)

Kojima, K. 1978. *Direct foreign investment*. London: Croom Helm.

[Google Scholar](#)

—. 1982. Macroeconomic versus international business approach to foreign direct investment. *Hitosubashi Journal of Economics*, 23:1-19.

[Google Scholar](#)

—. & T. Ozawa. 1984. Micro and macro-economic models of direct foreign investment: Towards a synthesis. *Hitosubashi Journal of Economics*, 25 (2): 1-20.

[Google Scholar](#)

—. 1985. Towards a theory of industrial restructuring and dynamic comparative advantage. *Hitosubashi Journal of Economics*, 26 (December): 135-145.

[Google Scholar](#)

Koopman, K & J.M. Montias. 1971. On the description and comparison of economic systems. In A. Eckstein, *Comparison of economic systems*. California: University of California Press.

[Google Scholar](#)

Krugman, P.M. 1981. Intra-industry specialization and the gains from trade. *Journal of Political Economy*, 89.

[Google Scholar](#)

—. 1983. The new theories of international trade and the multinational enterprise. In C.P. Kindleberger & D. Audretsch, eds., *The multinational corporation in the 1980s*. Cambridge: MIT Press.

[Google Scholar](#)

Lahdepaa, J. & K. Ansoff. 1987. A network analysis of international transactions. In N. Hood & J.E. Vahne, eds., *Strategies in global competition*. London: Croom

Helm.

[Google Scholar](#)

Lake, A.W. 1976a. *Transnational activity and market entry in the semi-conductor industry*. NBER Working Paper 126, March.

[Book](#) [Google Scholar](#)

—. 1976b. Foreign competition and UK pharmaceutical industry. NBER Working Paper 127, March.

[Google Scholar](#)

Lall, S. 1980. Monopolistic advantages and foreign involvement by US manufacturing industry. *Oxford Economic Papers*, 32:102–122.

[Google Scholar](#)

Markusen, J.R. 1984. Multinationals, multi-plant economies and the gain from trade. *Journal of International Economics*, 16:205–216.

[Article](#) [Google Scholar](#)

Mason, R.H. 1980. A comment on professor Kojima's Japanese type versus American type of technology transfer. *Hitosubashi Journal of Economics*, 20:242–52.

[Google Scholar](#)

Nicholas, S. 1986. The theory of multinational enterprise as a transactional mode. In P. Hertner & G. Jones, eds., *Multinationals: Theory and history*. Aldershot: Gower.

[Google Scholar](#)

Norman, G, R. Flanagan, & H. Seymour. 1985. *A theory of international production in the international construction industry*. University of Reading Discussion Papers in International Investment and Business Studies No. 87.

[Google Scholar](#)

— & JH. Dunning. 1985. Intra-industry foreign direct investment: Its rationale and trade effects. *Weltwirtschaftliches Archiv*, 120:522-540.

[Article](#) [Google Scholar](#)

North, D.C. 1985. Transaction costs in history. *Journal of European Economic History*, 14:557-574.

[Google Scholar](#)

Ohlin, B., P.O. Hesselborn & P.M. Wiskman, eds. 1977. *The international allocation of economic activity*. London: MacMillan.

[Google Scholar](#)

Ohmae, K. 1985. *Triad power*. New York: The Free Press.

[Google Scholar](#)

Oman, C. 1984. *New forms of international investment in developing countries*. Paris: OECD.

[Google Scholar](#)

Pavitt, K. 1987. International patterns of technological accumulation. In N. Hood & J.E. Vahne, eds., *Strategies in global competition*. London: Croom Helm.

[Google Scholar](#)

Porter, M.E. 1980. *Competitive strategy*. New York: The Free Press.

[Google Scholar](#)

—. 1985. *Competitive advantage*. New York: The Free Press.

[Google Scholar](#)

—, ed. 1986. *Competition in global industries*. Boston: Harvard Business School Press.

[Google Scholar](#)

Pralahad, C.K. & Y.L. Doz. 1987. Quality of management: An emerging source of global competitive advantage. In N. Hood & J.E. Vahne, eds., *Strategies in global competition*. London: Croom Helm.

[Google Scholar](#)

Robock, S.F. & K. Simmonds. 1983. *International business and the multinational enterprise*, third edition. Homewood: R.D. Irwin.

[Google Scholar](#)

Rugman, A.M. 1979. *International diversification and the multinational enterprise*. Farnborough: Lexington.

[Google Scholar](#)

—. 1981. *Inside the multinationals: The economics of internal markets*. London: Croom Helm.

[Google Scholar](#)

—. 1986. New theories of multinational enterprises: An assessment of

internalisation theory. *Bulletin of Economic Research*, 38:101–118.

[Article](#) [Google Scholar](#)

— & L.D. Booth. 1985. *International business: Firm and environment*. New York: McGraw Hill.

[Google Scholar](#)

Scott, B.R. & G.R. Lodge, eds. *US competitiveness in the world economy*. Boston: Harvard Business School Press.

[Google Scholar](#)

Stopford, J. 1982. *The world directory of multinational enterprises*. Basingstoke: MacMillan.

[Google Scholar](#)

Sullivan, J.J. and I. Nonaka. 1986. The application of organizational learning theory to Japanese and American management. *Journal of International Business Studies*, Fall:127–147.

[Google Scholar](#)

Teece, D.J. 1981. The multinational enterprise: Market failure and market power considerations. *Sloan Management Review*, 22:3–17.

[Google Scholar](#)

—. 1983. Technological and organizational factors in the theory of the multinational enterprise. In M.C. Casson, ed., *Growth of international business*. London: Allen & Unwin.

[Google Scholar](#)

—. 1986. Transaction cost economics and the multinational enterprise. *Journal of Economic Behaviour and Organization*, 7:21–45.

[Article](#) [Google Scholar](#)

—, ed. 1987. *The competitive challenge*. Cambridge, Mass.: Ballinger.

[Google Scholar](#)

Tharakan, P.K.M. 1984. *The economics of intra-industry trade*. Amsterdam: North Holland.

[Google Scholar](#)

Tolentino, P. 1987. The global shift in international production: The growth of multinational enterprises from the developing countries: The Philippines. Ph.D thesis, University of Reading.

[Google Scholar](#)

Vernon, R. 1974. The location of economic activity. In J.H. Dunning, *Economic analysis and the multinational enterprise*. London: Allen and Unwin.

[Google Scholar](#)

—. 1983. Organizational and institutional responses to international risk. In R.J. Herring, ed., *Managing international risk*. Cambridge: CUP

[Google Scholar](#)

—. 1985. Comment on chapter by J.H. Dunning and G Norman. In A. Erdilek, ed., *Multinationals as mutual invaders*. London: Croom Helm.

[Google Scholar](#)

Williamson, O. 1981. The modern corporation: Origins, evolution, attributes.
Journal of Economic Literature, 19:1537-68.

[Google Scholar](#)

Young, S., N. Hood & X Hamill. 1985. Decision making. In *Foreign owned multinational subsidiaries in the United Kingdom*. Geneva: ILO Working Paper No. 35.

[Google Scholar](#)

Editor information

Editors and Affiliations

Rutgers University, USA

John Cantwell

Copyright information

© 2015 Academy of International Business

About this chapter

Cite this chapter

Dunning, J.H. (2015). The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions. In: Cantwell, J. (eds) *The Eclectic Paradigm*. Palgrave Macmillan, London.

https://doi.org/10.1007/978-1-137-54471-1_3

[.RIS↓](#) [.ENW↓](#) [.BIB↓](#)

DOI	Publisher Name
https://doi.org/10.1007/978-1-137-54471-1_3	Palgrave Macmillan, London

Print ISBN
978-1-349-57497-1

Online ISBN
978-1-137-54471-1

eBook Packages
Palgrave Business & Management
Collection
Business and Management (R0)

Publish with us

[Policies and ethics](#)

Search

Search by keyword or author



Navigation

Find a journal

Publish with us

Track your research
