

INTERNATIONAL BUSINESS

How Can You Master International Policy by Navigating Crucial Global Crossroads?

by G. Tomas M. Hult



Image Credit | pkproject

International policy for growth and sustainable development

✓ **INSIGHT** | FRONTIER 19 Sep 2024

International policymaking has a **fundamental role** in influencing the operations of multinational enterprises (MNEs) and affecting cross-border investments and sustainable development. Understanding how these policymaking areas, as they relate to the international marketplace, interact with the core transnational disciplines is essential to more effectively recognize the impacts of international policy on globalization, economic growth, social equity, and environmental sustainability.

RELATED CMR ARTICLES

“**Global Sustainability Frontrunners: Lessons from the Nordics**” by Robert Strand (2024), Volume 66 Issue 3.

“**Business Agility: Key Themes and Future Directions**” by Stéphane J. G. Girod, Julian Birkinshaw, and Christiane Prange (2023), Volume 54 Issue 4.

Cross-border investments are part of the global **mechanisms** that facilitate capital flow across country borders. More or less capital that flows across nations has a direct effect on economic integration and international development. In parallel, MNEs leverage the global networks that they are value-added partners in to **optimize resources**, innovate products and processes, and expand international market reach. Sustainable development adds another important layer of complexity by arguing for international policies that **balance** economic growth with environmental stewardship and social inclusion.

Given the importance of these multifaceted interplays, rigorous analysis and discussion are warranted of the reinforcing and **overlapping dynamics** involving cross-border investments, MNEs, and sustainable development and the core disciplines that contribute

to international policymaking (i.e., international business, international innovation, development studies, international law, international economics, political science, international finance, political economy, and economic geography).

Policymaking Crossroads

A comprehensive policy-oriented analysis of the implications at the intersections (“crossroads”) of the nine core transnational disciplines and the dynamics of (1) cross-border investments, (2) multinational enterprises (MNEs), and (3) sustainable development can serve as a business-driven managerial guide to well-thought-of and effective international policymaking. As a brief guide to the discussion, Table 1 provides descriptions of the transnational disciplines along with summaries of the intersections with international policymaking.

Table 1: International Policymaking Implications (Click to Expand)

Transnational Discipline	Description of the Discipline	Cross-Border Investments	Multinational Enterprises	Sustainable Development
International Business (IB)	<u>International business</u> focuses on the study of cross-border economic activities and the behavior of firms operating in multiple countries.	Cross-border investments intersect with IB by facilitating MNEs’ market entry, expansion, trade flows, and economic integration.	MNEs are central to IB, driving global trade, foreign investment, and economic integration via their cross-border operations.	Sustainable development intersects with IB by promoting CSR, ethical practices, and sustainable strategies in MNEs.
International Innovation (II)	<u>International innovation</u> examines the development, adoption, and diffusion of new technologies and practices across borders.	Cross-border investments drive II by funding global R&D, enabling technology transfer, and fostering innovation ecosystems across borders.	MNEs influence II by establishing global R&D networks, facilitating technology transfers, and enhancing innovation capabilities.	Sustainable development intersects with II through the promotion of green technologies, sustainable practices, and global collaborations for environmental and social innovations.
International Development Studies (IDS)	<u>International development</u> studies focus on the social, economic, and political development of countries and regions, with an emphasis on improving living standards and reducing poverty.	Cross-border investments influence IDS by providing capital for infrastructure, economic growth, and poverty reduction in emerging and less-developed countries.	MNEs contribute to IDS by investing in developing countries, creating jobs, and transferring knowledge and technology to local economies.	Sustainable development is a core focus in IDS, emphasizing poverty reduction, equitable growth, and integration of environmental sustainability in development policies.
International Law (IL)	<u>International law</u> studies the rules and principles that govern the relations and interactions between sovereign states and other international actors.	Cross-border investments intersect with IL through investment treaties and regulatory frameworks that govern FDI and protect investor rights.	MNEs interact with IL through compliance with regulations, investment treaties, and legal frameworks that govern operations across jurisdictions.	Sustainable development intersects with IL via global agreements, treaties, and legal frameworks aimed at protecting the environment and promoting social equity.
International Economics (IE)	<u>International economics</u> analyzes economic interactions between countries, including trade, investment, and monetary relations.	Cross-border investments are pivotal in IE and affect trade balances, capital flows, and economic policies that shape global economic interactions.	MNEs are key actors in IE that affect trade patterns, investment flows, and economic policies via their cross-border activities.	Sustainable development intersects with IE by integrating environmental and social considerations into economic policies, trade agreements, and global economic governance.
International Political Science (IPS)	<u>International political science</u> examines the political dynamics, institutions, and processes that operate on a global scale.	Cross-border investments intersect with IPS by influencing geopolitical relations, shaping foreign policy, and impacting governance structures.	MNEs intersect with IPS by shaping global political dynamics, influencing foreign policy, and impacting international relations through their economic power.	Sustainable development intersects with IPS by shaping global governance, policy-making, and international cooperation on environmental and social issues.
International Finance (IF)	<u>International finance</u> studies financial interactions between countries, including capital flows, foreign exchange markets, and financial systems.	Cross-border investments are central to IF and affect financial markets, foreign exchange rates, capital flows, and financial stability.	MNEs play a crucial role in IF by managing global capital flows, engaging in foreign investments, and navigating international financial markets.	Sustainable development intersects with IF by promoting responsible investments, green financing, and integrating sustainability criteria into financial markets.
International Political Economy (IPE)	<u>International political economy</u> explores the interplay between politics and economics on a global scale, focusing on how political forces shape economic policies and outcomes.	Cross-border investments intersect with IPE by shaping economic policies, trade agreements, and political relations that influence global economic dynamics.	MNEs are pivotal in the IPE, shaping economic policies, trade agreements, and political relationships through their global operations.	Sustainable development intersects with IPE by influencing economic policies, trade practices, and political relationships to support global sustainability goals.
International Economic Geography (IEG)	<u>Economic geography</u> studies the spatial distribution of economic activities and the factors that influence their location and development.	Cross-border investments influence IEG by determining the spatial distribution of economic activities, fostering regional development, and shaping urbanization patterns.	MNEs influence IEG by determining the spatial distribution of industries, fostering regional development, and creating economic hubs through their investments.	Sustainable development intersects with IEG by addressing the spatial distribution of sustainable practices, regional planning, and development of green spaces.

International Business

Cross-border investments play pivotal roles in **international business** by, for example, making available capital for MNEs to **expand operations globally**, enter new international markets, and enhance their competitive edge vis-à-vis both local and global competitors. Local and regional policies that facilitate foreign direct investment (FDI) often attract new businesses and, if available, motivate existing businesses to stay. Such cross-border investments typically accelerate economic growth and create additional job opportunities.

MNEs are part of the global infrastructure that utilizes and **leverages resources** and capabilities across countries. MNEs often navigate complex regulatory environments, adapt to unique cultural contexts (relative to their home markets), and optimize global supply chains to maximize revenue (while covering costs). Effective international policies support MNEs by making certain that the marketplace they operate in has stable and predictable laws and regulations. Policies can also facilitate a seamless entry into markets.

Sustainable development is **increasingly becoming a priority** in international business. MNEs are more often recognizing the importance of integrating, even positively leveraging, environmental and social considerations in global operations. To nurture this marketplace shift, policymakers can advocate, via laws and regulations, these sustainable business practices but also by incentivizing green investments and encouraging corporate-social-responsible initiatives.

International Innovation

Cross-border investments can have an immense effect on the **international innovation** that takes place worldwide, or in parts of the world, by channeling resources to R&D projects that foster the development and diffusion of new global technologies. Policymakers can facilitate this scenario by creating an environment – an **innovation ecosystem** – that is conducive to investments in innovation (e.g., tax incentives and protection of intellectual property).

MNEs have an important role in this respect. They drive innovation across borders by leveraging their resources and by leveraging their extensive **networks** to develop and implement cutting-edge innovations and technologies. Naturally, policies that support collaborations and partnerships across country (and region) borders are important as facilitators of these innovation capabilities, resources, and strategic assets.

Sustainable development, within the context of international innovation, focuses on the creation of innovations and technologies that target sustainability challenges (e.g., climate change, resource scarcity). National governments, regional governments (e.g., the EU), and policymakers can facilitate **sustainable innovations** by encouraging and funding green technologies. They can also establish facilitators in the form of optimal environmental standards as well as encourage MNE operations that reduce carbon footprints and promote resource efficiency.

International Development Studies

Cross-border investments are among the most important aspects of **international development**, as such investments oftentimes provide the capital for **infrastructure** projects, facilitate industrial growth, and, by extension, create employment opportunities in developing and emerging nations. International policies that attract, nurture, and manage these investments can drive economic growth and continued international development.

MNEs contribute to international development by **transferring** technology, knowledge, and skills to host countries. By doing so, they facilitate the growth of local capacities while also fostering economic integration. Policymakers often take on the role of ensuring that these investments are aligned with national developments and that they benefit local communities. Consequently, the dynamic between MNEs and host governments can sometimes be strained because the parties continually strive to negotiate the best value and benefits for their side.

Sustainable development connects directly with international development. International developments do not have to take on a “sustainable” nature but given the policymaking that is wrapped around such developments, they often do (and more so in recent years). Ultimately, this means that **sustainable developments** also connect with economic growth, social equity, and environmental sustainability. Such developments often promote the reduction in poverty, improvement in education and healthcare, and protection of the marketplace environment.

International Law

The nature of and what is possible in terms of cross-border investments are heavily influenced by **international law**. Laws establish the **frameworks** and treaties that govern cross-border transactions and activities. Consequently, international policies that facilitate transparent and fair legal processes set the stage for attracting investors. If the marketplace actors can be governed by a predictable investment climate, international investments by design are more likely to grow.

Successful MNEs are fortunate in that they have **navigated** the international marketplace for a variety of stakeholders, but they must also continually navigate complex webs of international laws (e.g., trade regulations, investment treaties, labor laws) to operate across different legal jurisdictions. Policymakers (those engaging within and between countries) have important roles in negotiating, creating (and getting approved), and enforcing these laws.

Sustainable development is a key consideration in **international law**. The connection is typically to laws that encourage increased attention by MNEs and other international actors to infuse environmental and social governance standards into corporate strategies. Effective international policies can facilitate MNEs’ sustainability efforts but also act as an enforcing mechanism to protect resources, advocate for fair labor practices, and encourage responsible MNE behaviors.

International Economics

Cross-border investments are core elements of **international economics**, and vice versa, that have direct two-way **influences** on capital flows, trade balances, and economic growth. As such, international policymakers should strive to design economic policies that continuously attract investments while also ensuring that these investments contribute positively to each of the national economies that are targeted.

MNEs are likewise **central** to international economics, as MNEs have a direct effect on international trade and international investments. Essentially, the world is constructed as a cogwheel of countries, where each country either directly or indirectly is interconnected to each other. Consequently, policies that support MNEs' activities are important in the context of facilitating organic economic growth (e.g., reduction of trade barriers and investment incentives).

Sustainable development, as it relates to international economics, involves, for example, environmental and social considerations that can be **embedded** into economic policies. International policymakers should be mindful of economic practices that can potentially benefit all segments of the global society (e.g., green investments, setting environmental standards, and facilitating inclusive growth).

International Political Science

Cross-border investments intersect with **international political science** at the point of geopolitical relationships and regarding foreign policy decisions. International policymakers have the responsibility to both understand and **leverage** positive political implications while handling (potential) negative implications of foreign investments. The focus should be on balancing national interests with the marketplace benefits of economic internationalization.

MNEs impact international **political dynamics** via their economic power as well as via their influence on policy-making processes in various countries (e.g., lobbying efforts). The governments' responsibilities in this dynamic interaction include creating policies that align with the host country's security interests and also encourage MNEs to contribute to both host-country (and regional) economic stability.

Sustainable development at the intersection with international political science involves knowledge generation and being a part of creating policies that target global challenges (e.g., climate change, poverty, inequality). International policymakers can be part of the equation in the sense of helping to promote international cooperation in addition to developing frameworks that integrate sustainable development into international policy and international agreements.

International Finance

Cross-border investments are fundamental aspects of **international finance**. International finance drives international capital flows and **influences** currency exchange rates and the overall financial stability of all corners of the international marketplace. International policymakers have the important tasks of creating laws and regulations that facilitate, and perhaps also hinder when warranted, foreign investments and at the same time making sure that the world has financial stability and mitigates the risks associated with capital mobility.

MNEs are **key actors** in the international marketplace as it relates to international finance, as MNEs manage large-scale production and supply chain investments and navigate multi-country financial markets. Policies that support MNEs' financial activities (e.g., access to capital markets and reducing regulatory barriers) can be instrumental to their positive effects on investment-related international operations.

Sustainable development and international finance intersect for environmental, social, and governance (ESG) criteria. In this context, international policymakers can facilitate “sustainable finance” by encouraging cross-border investments in **green projects**, setting standards for corporate social responsibility (CSR), and facilitating clear transparency in financial markets.

International Political Economy

Cross-border investments are central to the **international political economy**. Political-economy knowledge affects several cross-border issues, but mainly the (1) distribution of wealth and (2) power among countries. International policymakers need to navigate the **consequences** of the political and economic implications of cross-border investments to ensure that such investments contribute to national goals and do not exacerbate inequalities.

MNEs have an outsized role in **shaping** the political economy through the companies’ investment decisions and business-related economic activities. As such, governments and policymakers must be aware of and implement policies that effectively (optimally) regulate the activities of MNEs to maintain fairness in the marketplace and to promote ethical practices.

Political economy-related sustainable development focuses on how to **integrate** economic growth by, for example, MNEs with social equity and environmental protection targets. Policymakers have an important role in both promoting sustainable development and a duty to facilitate (1) economic policies for involved actors and (2) agreements that address sustainability challenges.

International Economic Geography

Cross-border investments influence the spatial distribution of economic activities and the regional development patterns that are researched in **economic geography**. Broadly, this means that international policymakers often focus on attracting investments to certain countries or regions through their influences on the “international ecosystem” (e.g., developing infrastructure, offering incentives, and creating favorable regulatory paths).

MNEs shape economic geography by determining the location of production facilities, headquarters, regional and local operations, and how they engage in global supply chain networks. Policymakers often try to directly influence MNEs’ location of value-added activities, with the most obvious being incentivizing where to locate factories. Policies that support the **strategic placement** of MNEs’ operations can have positive effects on local development.

Economic geography-related sustainable development involves facilitating **spatial strategies** that balance economic growth with environmental sustainability and social equity for affected actors. Policymakers can facilitate, for example, sustainable urban and regional development by encouraging green infrastructure projects, protecting natural resources, and making sure that economic growth plans by MNEs and involved actors benefit relevant stakeholders.

Conclusion

The **integration** of international policymaking with the holistic view that is represented by the combined intersections of the core transnational disciplines (i.e., international business, international innovation, development studies, international law, international economics, political science, international finance, political economy, and economic geography) is an important driver to achieving sustainable economic growth in the international marketplace. This **intersection approach** – which has unique and very nuanced consequences when considering deeper and more comprehensive discipline characteristics – can also help ensure that international policymakers and relevant

stakeholders jointly and synergistically collaborate on measures that align micro (e.g., MNE) and macro (e.g., international policy) goals that deal with (1) cross-border investments, (2) MNE operations, and (3) sustainable development.



G. Tomas M. Hult [Follow](#)

G. Tomas M. Hult is on the leadership team at the American Customer Satisfaction Index (ACSI); coauthor of "The Reign of the Customer"; and professor at the Broad College of Business at Michigan State University, USA. Dr. Hult is on the Expert Networks of the World Economic Forum and the United Nations' World Investment Forum.