

Introduction

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This special issue on 'Asia-EU Relations – MNEs' Responses to an Uncertain Global Business Environment' explores how and why, in the context of the Asia-EU (European Union) relationship, multinational enterprises (MNEs) respond and/or adapt to a new and uncertain global business environment, which has been substantially re-shaped by the 2008 Global Financial Crisis (GFC). An important recurrent theme in this volume is the opportunity represented by the GFC for the typical global Asian or European MNE. All four articles address the impact of the crisis on Asian and European MNEs' business strategies and operations by suggesting different angles of analysis at both the macro- and micro-economic level of study.

The macro-economic level of analysis sets out the broad framework in which MNEs can avail of new business opportunities, in the background of sluggish or slower growth, widespread uncertainty, increasing volatility in commodity markets, falling investment rates and rising overcapacity in a number of industrial sectors (World Bank 2016). As a result of the uncertain business environment triggered by the GFC, governments are faced with a dilemma: either stimulate their incumbent firms' strategies through what may become protectionist policies, or help domestic firms gain and/or expand their market shares abroad through economic integration. Greater economic integration through the development of mega infrastructural networks to better connect the various Asian and European firms is indeed a possible means to stimulate global growth. This is the broad topic of Ulrike Solmecke's article on the 'One Belt, One Road' (OBOR) initiative. The article shows how this initiative, which was first proposed by the Chinese Government in October 2013, promotes the creation of an unprecedented trading network across some 60 countries of the Asian, European and African continents, representing nearly a third of global GDP. The OBOR initiative aims at creating real Eurasian connectivity through new transport infrastructure. This would offer a strong economic impulse to many economic actors, particularly MNEs, with the ultimate goal of stimulating both regional and global economic growth.

The initiative can be understood as a reaction of the Chinese government to the increasing economic and political uncertainty that the GFC has contributed to – globally and in the Asia-Pacific region in particular. Beijing does now actively stimulate an opening up process and economic integration in Eurasia. In this context, Solmecke focuses on the environmental impacts of the initiative and examines the question of how and to what extent key economic actors are incentivized to adopt more sustainable behaviour by mandatory and voluntary governance instruments. The article concentrates on two relevant industrial sectors, namely transport and construction, sectors in which Chinese firms in particular suffer from overcapacity. It concludes that institutional regulation and incentive systems do support minor 'green' changes; yet, overall a rather reinforcing effect on the orientation towards conventional development paths can be expected for the MNEs involved in the OBOR initiative.

Also of a macroeconomic nature, the article by Carolina Gavagnin, Andrea Pastore and Bruna Zolin on pricing in the Vietnamese rice market identifies a critical issue affecting both MNE decisions and policy making – the occurrence of climate-related natural disasters such as floods and droughts. These natural disasters add to the global uncertainty facing MNEs but the analysis of the case of Vietnam is ultimately aimed at showing how a country that opened up with a number of important economic reforms undertaken since the latter part of the 1980s can nevertheless present a number of opportunities for firms. The case of the rice sector is selected because of the critical role played by both rice and extreme weather events in this country. The article investigates the consequences of climate change on Vietnam's economic environment, external trade and food supply. A regression analysis helps analyse the patterns of domestic rice prices using explanatory variables from both the demand and supply sides, with a focus on climate change and severe weather events. Results show that over the period 2004-2015, the international rice price, the exchange rate and the Southern Oscillation index (a proxy for climate variability) all explained the patterns of the domestic rice price over the selected period. The authors argue that technological change can counteract the uncertainty prevailing in these markets through appropriate government policies.

The micro-economic level is appraised from various geographical angles and industry perspectives, using a range of methodologies. Erja Kettunen-Matilainen's article combines different approaches drawn from international political economy, international business and insti-

tutional theory to analyse the investment climate in South-East Asia after the 2008 global financial crisis. Her article stresses the important interdependence between firms and host states and how these different actors need to adapt to the evolving macroeconomic environment. Based on a number of interviews carried out within Finnish firms in Singapore, Malaysia, Thailand and Indonesia, the article discusses foreign firms' relationships with the public sector in these Asian countries by focusing on the firms' perceptions of the host country policies in relation to foreign direct investment (FDI). In particular, greater state-led economic integration with the 'virtual' establishment of the ASEAN free trade area in 2005 should be of relevance. Turning to the institutional approach, the author argues that informal institutions (e.g. unwritten social norms) act as additional constraints for foreign firms in their bargaining exercise with host country governments, after the MNE's entry into the developing country. In addition, the author finds that the GFC affected host country policies, thereby exacerbating the institutional constraints and complicating firm-government relationships as governments take appropriate measures to protect both the domestic economy and the foreign firms. Another finding of this rich study is that the ASEAN free trade area does not have the expected positive economic effect on the firms' strategies and the author offers some explanations for this counter-intuitive result. All these findings are modulated by the different regulatory environments existing in the four countries investigated in the article, ranging from easy (in the case of Singapore) to difficult (Thailand) in terms of FDI policies, bureaucracy and protectionism.

The article by Marie-Laure Barron and Claire Capo uses the cases of Walmart and Carrefour in two Asian countries, namely Japan and India, in order to investigate the factors that can explain their relative success (or, conversely, failure) in trying to enter a specific industry, such as distribution, in Asia. Comparing the cases and strategies of these two major retailers in each of the two markets – Japan and its sophisticated distribution sector on the one hand, and India's rather underdeveloped distribution sector on the other – provides a unique research design. In both cases, however, the authors highlight the crucial factor of local resistance against large internationalized retailers as a clear source of failure. At the very least, local resistance causes huge difficulties for foreign ventures. The paper shows how proximity, in its various dimensions (spatial proximity, relational and identity proximity and inter-organizational proximity) provides the greatest challenge for newcomers. Different responses by Walmart and Carrefour to the

complex range of local expectations mirrored by the proximity concept and its various dimensions lead to very different results.

All the articles in this special issue ultimately aim at contributing to the literature addressing how investors across Asia and Europe can respond to the challenging business environment triggered by a prolonged economic downturn.

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