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Three major integrating processes in the post World War II era were trade liberalisation, the removal of exchange control and the development of the multinational enterprise as an organisation that transcends national borders. These three processes led many to believe that the world is moving fast to become a 'global village' where national states will play a very minor role. This did not happen. The power of nationalism is still one of the main motivations of human behaviour. Integration did take place but it did not diminish the role of the government in economic and social development. In many cases market integration becomes one more avenue through which governments are seeking to maximise welfare for their residents. Global organisations like multinational enterprises do exist and they seek to maximise their value worldwide, but at the same time national organisations like governments are maximising the welfare of their residents within their borders. This makes the process of market integration complex. Business organisations and governments rise and fall in their relative status in the global world as it is apparent from looking at the recent developments of different countries like the

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US, Japan, China, India, Vietnam, Ireland, Turkey and Iceland and different multinational companies like General Motors, IBM, Lenovo, Tata and many others.

One aspect of the complexity and even ambiguity of the process of market integration is that it cannot be analysed using one specific form of economic or business analysis like International Business, Development Economics, or International Relations. It is necessary to examine, discuss and analyse the process of market integration by using a multidimensional analysis with a particular attention to the interface between the macro, national dimension, and the micro, firm dimension of the process of market integration.

This rather abstract concept is translated into a series of article in the second part of the Special Issue focusing on the macro perspectives of the process of market integration. Taken together the six articles in this issue begin with discussing the necessary conditions in a country to allow better integration as applied to the 'forgotten continent' of Africa, and then move on to show how the interface between profit seeking behaviour of corporations and the macroeconomic, monetary and regulatory features in India generate a specific pattern towards market integration. The process of globalisation opens up new avenues of development for small countries and the governments of emerging markets. The resulting changes in the competitive advantage of local corporations allow and encourage the government in these countries to be more active in changing the comparative advantage of the country. In this way market integration creates opportunities for countries, primarily for emerging markets to change their role in a global, more integrated economy. Market integration has organisational and regulatory dimensions. The process of rebuilding Europe after World War II that has begun with the Coal and Steel Union has matured to be a tight economic and political organisation in the form of the European Union. Can this structure be a template to other regions and eventually to global cooperation? As financial movements are more virtual than movements of goods, services and people, much of the integration and globalisation of the world was carried out through the financial markets of the world. The financial markets also become a strong transmitter of the idea that what counts is profit maximisation for corporations and individuals. The recent financial crisis raises a series of questions regarding this approach and many would argue for the need to reexamine the speed of globalisation and the need for more national regulations. Parallel to the process of market integration the world is going through what may be called the 'knowledge revolution'. Ideas know no borders and they are easily transmitted between originators and users. In a world of ideas and knowledge characterised by 'open platforms' market integration is a fact of life and not a policy option.

In the first part of this special issue one unifying theme of the six articles was that they discuss various ways by which firms and financial institutions contribute to market integration. All the articles deal with imperfect markets and monopolistic competition. The authors of the articles describe different situations in which different stakeholders are maximising their value, but in doing so they contribute to a process of market integration. A similar unifying theme holds the very different papers of the second part together; the interface between governments and other actors in building an integrated world in which different national states find their way to excel.

Aggarwal describes how India as a country has integrated with the world economy and how this affects governance structures, M&A activities and productivity of firms aiming at global markets. The trend towards global integration is unlikely to reverse, rather the trend is accelerating by mutual reinforcing of parallel developments in education, technology, infrastructure and health care. This development will cause restructuring and consolidation within industries forced by changes in factor intensity and optimal scales. This put pressure on corporate governance and M&A activities to be efficient. New companies will act as role models and others will go bankrupt. In order to meet this industrial restructuring it is of importance to have strong financial markets, effective bankruptcy law and a robust commitment. Large scale bankruptcies and slow transition of human capital will be some of the major obstacles for a smooth transition. The India example enriches us with a detailed description on the reciprocal action between government policy and company strategies.

The article by Arne Bigsten and Måns Söderbom on African firms in the global economy describes a problematic situation. The

African share of world industry was more or less the same in 2007 as in the 1960s. The share of manufacturing has fallen during the same period. The review of government policy effects on growth made by Bigsten and Söderberg suggests that the manufacturing industries are lacking a comparative advantage and the economies have not been able to shift factor proportions favouring capital intensive production. Government policies such as import protection in a first stage and later a market oriented openness has not compelled the growth. Poor economic institutions together with high tariffs, large export entry costs and poor transport infrastructure seems to be impeding factors. Future export activities depend on specific learning and improved institutional frameworks that together will reduce externality costs associated with manufacturing. Most important is a non-corrupt political system with good governance.

The first two articles discuss the importance of government policies for favouring economic growth. Different policies will affect market integration differently. Angkinand and Wihlborg study the effects common monetary union and monetary policy regimes have on trade. They argue that the effect of a single currency within the EU should not be exaggerated and other government policies, such as inflation target, reduces macro economic uncertainty and play a larger role for the growth of bilateral exports. These results have implication for government policies in Asian countries where it is not likely to create a monetary union. Earlier Asian crises and an increased international trade with capital inflows from developed countries have lead both to increased exposure to macro shocks and the adoption of floating currencies. Angkinand and Wihlborg argue that there is no strong evidence that a currency union will increase the mobility of goods, services and capital. Inflation target and other monetary regimes favouring own international trade are more efficient and can be implemented without coordination with other regimes.

The common theme in these articles is the importance of government policy and its reciprocal effects on firm performance and strategy. Agmon addresses the same issues in his article and structures his arguments around two subjects often discussed in the international trade and in the international business literature.

The first subject is how the development strategy of a country is determined by its comparative advantage. The interface between the macro policy of a government and the business policy of domestic companies creates a globalisation strategy for emerging markets and small countries. The focus on the neo-classical trade model of changes in factor intensity as the process by which the comparative advantage is determined is a useful paradigm to gain insights into the dynamics of the globalisation processes. The second subject concerns the reversal of headquarter-supplier relation. In earlier research the traditional view was that headquarters from developed countries investing in suppliers in developing countries was the driving force of globalisation and market integration. However, as was evident in a number of articles in the first part of this special issue (e.g., Pahm and Petersen; Hopdari, Sinani, Papanastasiou and Pearce; and Ivarsson and Alvstam), MNEs from developing countries are entering the global competition arena and we can see a reversed relation. A common theme in these micro studies was how these MNEs manage their globalisation strategies. In the article by Agmon, it is discussed how factor intensity can change by new financial intermediaries, such as private equity funds, contributing with both financial and intellectual capital. Changes in factor intensity, as a result of government policy favouring the flow of financial and intellectual capital, is composed of changes in the competitive advantage of many firms within a country.

The importance of financial markets as intermediaries of financial capital has been on the research agenda since Schumpeter (in 1912/1934) argued for the banking system's role in identifying and funding technological innovations that result in new industry structures. In his article Davis describes how the American model of shareholder capitalism emerged as a template for economic development in emerging countries and the idea that financial markets spur industrial growth has guided the World Bank and IMF in their allocation of capital. Davis argues that the claim that this model is a means for safe and reliable funding and saving has been severely questioned in the financial aftermath. The development in China, South-Korea, Japan and other economies show alternative models. It is argued, however that the success of the prospective role of financial markets is dependent on the governance quality as discussed in the seminal works by La Porta, López de Silanes, Shleifer and Vishny (in 1998 and in 2000). Corporate governance system and law origin give protection of investors from expropriation by managers and other stakeholders. One conclusion from the La Porta et al (1998, 2000) studies is that in a stage of high economic growth and development it is important to have good corporate governance systems. Evidence shows that to be able to move from a closed market to an open market solution good corporate governance are important for facilitating and creating creditability and trustability for investors and creditors. Decreasing the risk of expropriation by imposing legal reforms will shift a country's comparative advantage. Davis presents an alternative view arguing that the shareholder capitalism was suited for a manufacturing based industry structure with stable work force. When the stock market begun to value new industry structures, based on intellectual assets and networks with outsourced production, distribution and sales, the foundation on which it was built weakened.

The last article in this special issue focuses on how the world is changing with the growth of the 'knowledge economy'. Unlike the first five articles which are in the general context of economics and business, this article is based on the law research tradition and presentation. Petrusson, Rosen, and Thornblad argue that legal constructions influence and create mechanisms for the development, sharing and pricing of open platforms where intellectual assets are formed and traded. Economic theories traditionally assume assets and products to be transactionable and that the economic and legal boundaries are definable. The ideas of Nobel laureates Coase and Williamsson, on the boundaries of the firm and the determinants of transaction costs, are however challenged by new industry structures such as open platform and two sided competition. The boundaries of the firm are dependent on the strategic and the managerial decisions of the firm. In their article, Petrusson, Rosén and Thornblad focus on the question how legal constructions govern the specific actors in an open intellectual property platform. A central issue is to understand that the use and design of contractual agreements among actors establish openness and profit sharing.

It also determines to a large extent the nature of market integration in the world of knowledge economy.

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