

# The Location of Multinationals in Industrial Districts: Knowledge Transfer in Biomedicals

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**ABSTRACT.** In order to access and exploit knowledge, MNCs are induced to make FDI in technological districts. It occurs in a two-stepp rocess: first joint venture and then acquisition. This perspective is consistent with the evolutionary theory of multinational corporations, which looks at technology transfer as a sound rationale for FDI. The location strategy of multinationals produces a reorganization of district structure and a change in its evolutionary pattern: MNCs become catalysts, bring in new finance, ideas and managerial practices, open the district to external markets and international flows of technology. Biomedical Valley in Italy is a recent high-tech district that fits this picture well. It demonstrates that the rationale for FDI was not wage differentials with parent countries, but rather local knowledge and innovation. Knowledge transfer through subcontractors diffuses and recombines inside the district in two ways: becoming the medium for the dissemination of new codes, procedures and knowledge within the district, and evolving from the role of subcontractors to that of independent producers of final products. The case of biomedical district also induces changes of a number of stereotypes and common beliefs about industrial districts and MNCs.

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