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**Nationality and Multinational Enterprises
in Historical Perspective**

by

Geoffrey Jones

Department of Economics, Faculty of Letters & Social Sciences, PO Box 218,
Whiteknights, Reading, RG6 6AA, England.

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Nationality and multinational enterprises in historical perspective

Geoffrey Jones, University of Reading

THE END OF NATIONALITY?

Over the past decade the view that multinationals are becoming divorced from the nation state has been widely expressed. The consequences of the growing global integration of international production, the international dispersion of key functions such as technological innovation within multinational systems, the fact that some multinationals employ far greater numbers of people and sell far more products and services outside their home economy than within all have all encouraged the hypothesis of a 'borderless world' (Ohmae 1990).

One of the most forceful exponents of this view at the beginning of the 1990s was Robert Reich, later to become Labour Secretary in the Clinton Administration in the United States. In his seminal *The Work of Nations* (Reich 1992), he put the case for 'the coming irrelevance of corporate nationality'. Reich noted that many of the best known names in US corporate history - CBS Records, Columbia Pictures, American Can, Pillsbury - were now foreign-owned, and went on to suggest that those who expressed fears of this foreign take-over were guilty of 'outmoded thinking'. The reason was that while in the past there were recognisable US corporations whose interests could be identified with those of the United States, contemporary multinationals bore only a superficial resemblance to their mid-twentieth century counterparts.

MULTINATIONAL NATIONALITY IN ECONOMICS AND LAW

In the mid-twentieth century, Reich suspected, the nationality of a multinational was easy to identify. US - and other - multinationals were large, integrated corporations with clearly defined boundaries, in which ownership and control lay indisputably in the home economy. Contemporary multinationals looked quite different. They were organised more as a web than as a bureaucracy. Core corporations no longer plan and implement the production of a large volume of goods and services. Rather they resemble a facade, behind which teems an array of decentralised groups and subgroups continuously contracting with similarly diffuse working units all over the world'. The value of such corporations lay in their problem-solving skills. The new organisation consisted of webs of high-value enterprise joined by computers, fax machines and satellites reaching across the globe, whose nationality was more and more uncertain.

Reich's thesis was specifically addressed to political debates within the United States in the 1990s. The point he sought to make was that a 'foreign' corporation manufacturing in the United States contributed more to the American economy than an 'American' company which manufactured most of its products abroad. However there was also an explicit hypothesis in the Reich argument. This was that in the past multinationals had a clear nationality, but that in recent years fundamental changes in the organisation of work have made the nationality of multinationals irrelevant. They have become stateless 'global webs'.

The question of the nationality of multinationals has been addressed by many social scientists, including economists and lawyers. The economic theory of multinationals, which developed in the 1960s, took the nation state as its starting point, and firmly linked the explanation of multinationals to their national origins. After a long period when the assumption of mainstream neo-classical economic theory had made economic analysis of the multinational enterprise all but impossible, a major conceptual breakthrough came in the PhD thesis by Stephen Hymer presented at the Massachusetts Institute of Technology in 1960. This thesis got away from the previous treatment of multinationals simply as arbitrageurs of capital by asserting that foreign direct investment (FDI) involved the transfer of a whole package of resources and not simply finance.

Hymer's title - *The International Operation of National Firms* - emphasises the importance of nationality in his model. Hymer argued that multinationals came from one country, and that they needed an 'advantage' of some sort to operate and compete in unfamiliar foreign environments. Foreign countries were seen as difficult and risky locations to which firms would prefer to export if only there were not obstacles such as tariff barriers, and in which they had little chance to survive unless they held a big advantage over the locals. This view led to the argument that a foreign firm required 'ownership advantages' over local rivals. These were seen as resting in management, technology, marketing skills or finance. In the eclectic paradigm developed by John H. Dunning, a firm could possess both firm-specific and/or nation-

specific advantages, the latter resting on its country of origin. (Dunning 1993, 1995). Thus the international strength of German multinationals in chemicals and pharmaceuticals was ascribed to Germany's national system of scientific and technical education.

The importance of nationality has been stressed in other economic theories of the multinational. The product cycle model, first put forward by Raymond Vernon in the mid-1960s, argued that firms based in the United States had a greater propensity to develop new products because of high per capita incomes and high unit labour costs in their home economy. Vernon suggested that when a new product was developed in the US, a firm normally chose a domestic production location because of the need for close contact with customers and suppliers. As a product matured, long-run production with established technology became possible. When it became economic to invest abroad, Western Europe was the preferred location since demand patterns were close to the US while labour costs were lower. When the product entered its standardised phase, low costs became critical, and production would be transferred to developing countries (Vernon 1966).

While the above models placed a heavy emphasis on the home country origins of multinationals, transaction cost theorists had virtually nothing to say about the nationality of multinationals. As applied to multinationals by Buckley and Casson (1976), Hennart (1982) and others, this theory proposes that firms expand across borders because the transaction costs incurred in international intermediate product markets can be reduced by internalising these markets within the firm. This is a theory

of market failure which stays silent about nationality, for although it predicts that an inefficient market will be internalised, it does not predict by whom. The interest of these theorists in markets rather than countries might be taken as reflecting the diminishing importance of nationality as an issue in international business.

While economic theorists could speculate whether or not nationality was important for multinationals, lawyers have had over a long period to address this issue given the 'real world' importance of multinationals. There remains no single test of corporate nationality, however, and a variety of different criterion have been employed. In national legal systems derived from Anglo-American common law, the state of incorporation is the main test of nationality. However in most civil law systems in Continental Europe and other countries influenced by them, the test is that of the company's 'seat' (*siège social*) defined as the place where the central administration and direction is located. The two tests lead to similar results in many cases, but where the place of incorporation does not coincide with the place where the direction is actually exercised, the latter is normally taken in many Continental legal systems. However there are also other legal tests of nationality. Lawyers have sometimes used the nationality of the shareholders who 'control' the operation as a test. This criteria is especially employed in wars and other politically tense situations. The nationality of the senior management, or the country where most of the business is done, are other possible legal tests. In international law, the rules governing the nationality of corporations remain far from settled. International law has developed the concept of nationality almost exclusively in the context of individual persons, and there are no

rules of international law governing the nationality of goods other than aeroplanes, ships and historical cultural artefacts.

It is evident that attempts to define multinationals in law have all been searching for ways of establishing where 'control' lies. Unfortunately this runs straight into the uncertainties surrounding who controls modern firms - directors, managers, shareholders, other 'stakeholders' - and the fact that large firms (at least) are complex organisations in which decisions are taken in a number of places.

MULTINATIONAL NATIONALITY IN BUSINESS HISTORY

Evolutionary Perspectives

Business historians have rich empirical evidence on the subject of the nationality of multinationals. This would have seemed a strange observation in the 1960s as there was a widespread assumption that the multinational was essentially a post-1945 phenomenon. Today a very different picture has emerged. It is apparent that the origins of the modern multinational enterprise can be traced back well into the nineteenth century. In the manufacturing sector, Germany's Siemens built its first foreign factory in 1855, while the US's Singer opened its first foreign factory in 1867. However, the most striking aspect of recent research is its emphasis on the relative importance of international business in the nineteenth century. If current estimates of the size of world FDI in 1913 are accepted, then it represented around 9 per cent of world output in 1913. This proportion declined subsequently and was still only around 4.8 per cent in 1980, before rising sharply to reach 8.5 per cent in the mid-

1990s (United Nations 1994). In the revisionist history of multinationals, they emerged and grew to a great importance in the world economy before the First World War, declined in relative importance subsequently, and have over the last two decades begun to regain their previous nineteenth century importance (Jones 1996a).

If we take an evolutionary perspective, there appears strong support for Reich's contention that the national influence on multinationals has been strong historically. There has been a strong national skewing in the sources of FDI. In 1914 the United Kingdom alone accounted for 45 per cent of total world FDI. Subsequently the United States replaced the United Kingdom as the world's largest outward investor, but these two countries plus the Netherlands were disproportionately important as home for multinationals for much of the twentieth century. Between 1914 and 1980 these three countries accounted for between two thirds and three quarters of all world FDI. Apart from the Dutch, the Swiss and the Swedes were also persistently large outward multinational investors over the last century, while other small European economies - Norway, Denmark, Austria, Belgium - were much less active in foreign production.

There has also been strong and long-term national differences in the industrial distribution of multinational investment. Over the last century, over generations and despite catastrophic events like the world wars, German multinational investment has been heavily biased towards chemicals and electricals, Swedish to engineering and machinery, and the British towards branded consumer goods as well as petroleum and other raw materials.

The location of FDI has also shown strong national differences in a long-term perspective. The investment patterns of US multinationals have been traditionally skewed towards the neighbouring countries of Mexico and Canada, while Japanese companies have had a strong predilection for Asia. Within Europe, most countries have had strong historical preferences for investing in neighbouring countries. There is little doubt that the physical location of the country in which a firm is based has exercised systematic influence on location and decisions. The reason for this influence is also straightforward: firms seek to reduce risk by investing in culturally or geographically close environments (Davidson 1980).

Nineteenth century ambiguities

The influence of nationality on international business appears very strong if the point of reference is FDI estimates. However, it is at the level of the enterprise that ambiguities begin to be apparent. In the nineteenth century a great deal of international business activity is hard to categorise in national terms.

Many ambiguities arose from the fact that in an era of high migration, people moved across borders as well as capital. Numerous businesses were founded by emigrants, giving the resulting enterprise a hybrid feel. A large-scale example was the Nobel oil business in pre-Revolutionary Russia. Members of Sweden's Nobel family settled in Russia in the 1870s and transformed the Russian oil industry by introducing modern technology. The resulting company was managed by members of the Swedish

family, but its headquarters and decision-making was located in Russia and there was no control from a Swedish parent company. Its equity was held in various Western European countries, as well as in Russia, with German banks as the single most important international shareholder (Fursenko 1991). Nobels were atypical because of their size and importance, but in nineteenth century Europe there were numerous examples of firms founded by emigrant entrepreneurs, who often retained some form of link with their home country, but which almost invariably changed over time.

This problem is very evident if attention switches to the extensive international business in the service sector in the nineteenth century. In Latin America and Asia merchant and financial activity lay in the hands of what one author has termed a 'cosmopolitan bourgeoisie' (C. Jones 1987). This composed a highly ethnically mixed people with links back to their home countries as well as in the host country. In the literature they are often described as 'Anglo-Argentines' or 'German-Argentines'. These ethnic business people often engaged in FDI, and the trading and financial infrastructure they put in place made possible the enormous FDI in natural resources exploitation in Latin America and elsewhere. It remains difficult often to decide what nationality their ventures should be characterised as belonging to. It is evident, for example, that a substantial percentage of the so-called FDI in late nineteenth Argentine was made by British and other Europeans who finally never returned to their home countries. In Asia, expatriate merchants and traders rarely became integrated into their host economies in the way they did in Latin America, but nevertheless there were many ambiguities concerning the nationality of companies. Thus the very symbol of 'British' banking in Asia, the Hong Kong and Shanghai Banking Corporation - in 1997

Europe's largest bank by market capitalisation - was founded in 1865 by a cosmopolitan mixture of British, American, German and Indian shareholders, while the first manager was a French national (King 1984).

This cosmopolitan world increasingly gave way to a more nation-based one from the late nineteenth century with the spread of nationalism and of imperial rivalries. The lack of a clear national identity became a liability rather than, perhaps, an asset in international business. However in some cases nineteenth century ambiguities lingered. An example was the firm of Rallis, one of a considerable number of Greek merchants who settled in nineteenth century Britain. Rallis established a London office in 1818, and in the 1820s opened branches in Odessa (Russia) and Marseilles (France) to sell British textiles. They built a large Russian business before in the 1850s opening offices in India, where they became the largest importer of cotton textiles. In the interwar years they established cotton and tea plantations in East Africa, and entered jute spinning in Germany. The Ralli business empire was large - it employed around 50,000 people in the early 1950s - and thoroughly ambiguous in nationality terms. Although London-based, until 1931 Rallis was owned by a partnership of Greeks. Subsequently it became a limited company, but the management remained until the 1950s Greeks from Chiotos. The company also largely used Greeks to manage its overseas business. In interwar India, it would have up to 150 Greek staff who worked for the company throughout their career, and then retired to Greece (Ralli 1951).

Ambiguities over the nationality of firms was not limited to the difficulties caused by emigrant-entrepreneurs such as Nobels and Rallis. In an environment where exchange controls were non-existent, firms were free to seek funds worldwide, and this often led to discrepancies between the nationalities of a firms' place of registration, its shareholders, and its managers. Foreign firms regularly sought funds in London, the world's largest equity market. An example was a group of Canadian companies which made large investments in Latin America utilities from the 1890s. The largest of these companies was Brazilian Traction which established a large electricity generating, water, gas and eventually telephone business in Southeast Brazil which - by the late 1940s - employed 50,000 Brazilians and controlled 60 per cent of the country's electricity, and 75 per cent of its telephones. The driving force behind this venture was an American engineer, and the key purchasing functions were in New York. However the headquarters were in Toronto. And most of the stock was issued on the London market (McDowall 1988). This can, according to different criteria, be variously described as a Canadian, British or American venture before 1914.

An interesting comparison can be made with another large company, this time ostensibly British. The Russian General Oil Corporation was founded as a British Company in 1912. It consolidated a variety of oil companies active in Russia and became a very large company as a result with, by 1916, a total equity of £14 million. The Head Office was in London. In fact, behind the paper facade, there was little if anything British about the company. The management of the Corporation was carried out in St. Petersburg by the two Russian banks which set it up. The London flotation

was a device to raise the profile of the Corporation at foreign stock exchanges and, if necessary, attract foreign capital from abroad. In fact these ambitions were not realised, and a number of attempts to sell the shares of the Corporation on the London Stock Exchange failed (Gurushina 1994). This case illustrates the fragility of current historical estimates of FDI which use the issued capital of companies as a proxy for FDI (Corley 1994). The Russian General Oil Corporation would be included as a large British oil investment using this methodology, while in practice there was nothing British about the firm apart from its place of registration.

There are many cases of this phenomenon which, taken together, cast doubts over existing FDI estimates - and the strong national patterns they suggest. The case of Britain - apparently the source of up to 45 per cent of world FDI in 1914 - is instructive. A considerable amount of UK FDI in Latin America, Asia and Africa was undertaken by trading companies which, overtime, diversified from trade into resource exploitation, infrastructure and processing. These diversification strategies were achieved by establishing new companies, in which the parent trading company often held only a small share of the equity. However this equity relationship between the new company and the parent trader formed only one of several connections (Chapman 1985; Jones 1996) which included flows of loans and deposits, cross-directorships and management contracts.

The result was a 'network' form of enterprise whose 'nationality' depends on the kind of criteria used. The trading companies established both UK and locally registered companies. The latter, which would typically have a mix of shareholding by

expatriates, 'locals' and others, are excluded from estimates of British FDI, but the place of registration criteria provides no indication of the nationality of ultimate control, which was exercised from Britain by linkages other than equity. After 1914 these ultimately British controlled but locally registered companies became a vehicle for local business groups to capture control, because if they could buy enough shares and concentrate their shareholdings, they could ultimately remove the British managers. This phenomenon was evident in interwar India when Marwari business groups brought into 'British' companies in Calcutta; in Malaysia in the 1960s and the 1970s when control of 'British' firms such as Sime Darby was acquired by local interests; and in Hong Kong in the 1970s and 1980s when 'British' firms like Hutchinson Whampoa and Wheelock Marden were acquired by local Chinese. In these cases, companies retained the same place of registration, but the ultimate nationality of control shifted.

The above analysis has focused heavily on developing countries - where the majority of world FDI was located in 1914 - but there were plenty of ambiguities concerning the nationality of enterprises in nineteenth century Europe also. The predecessor to Alusuisse, Aluminium Industrie A.G., was ostensibly Swiss, but had a strong German influence before and after 1914 (Wallace 1937). The role of European 'mixed' banks in international business provides an example. During the nineteenth century French, Belgian and other European banks took strategic equity holdings in numerous foreign industrial enterprises, typically with partners, often with partners from other countries, with the result that the 'nationality' of the consequent enterprise is very unclear. The managerial and financial influence of Paribas in the early

development of Norsk Hydro renders it, by most modern definitions, a case of French FDI in Norway, although there was also a Swedish dimension through Wallenberg investment, and there was also Norwegian control over some areas of the company's business. This story was not exceptional. In the late nineteenth century the German electrical company, Siemens and AEG invested in public utilities in southern Europe and Latin America using financial holding companies. The German big banks were investors, but Swiss, French, Belgian and Italian links also took equity, and they often had their legal seat in Switzerland or Belgium. These substantial and capital-intensive ventures might well be best regarded as mixed nationality ventures rather than belonging to a single country (Jones 1996a).

A final level of complexity relates to, perhaps, a more philosophical question about the use of the nation state as a unit of analysis. FDI is defined as capital flows across national borders, but this is not as straightforward as it seems. As noted earlier, multinationals have always tended to invest in neighbouring countries in order to reduce risk. Wilkins and Schröter have termed this 'nearby' investment. However in nineteenth century Europe a very large number of German, Swiss, French and other investments were literally 'nearby' in the sense that they were just over the border. An extreme example was provided by the Swiss dyestuffs companies in Basle which established plants within walking distance over the German border in Grenzach. Rather similarly, Ford's first foreign factory was in Canada just across the Detroit River from its US base. (Wilkins 1988, Schröter 1993). This raises the question whether this kind of investment should be interpreted in 'national' terms at all, but rather seen within a regional context.

This issue is by no means confined to the nineteenth century. In the 1990s there has been huge flows of FDI between Hong Kong and China. Hong Kong was a British colony before July 1997, and so technically this investment was FDI. In practice, almost all of the investment went to the southern Chinese provinces with which Hong Kong's economy was progressively integrated. The incorporation of Kong Kong into China, albeit under the 'one country, two systems' rubric, made the national classification of this investment even more problematic.

Twentieth century certainties

It would be chronically unfair to Reich to suggest that he had overlooked the ambiguities concerning nationality in the nineteenth century, for those far off days were in no way his concern. His argument that in the 'past' the nationality of multinationals was clear referred to the middle decades of the twentieth century. It is to this period it is now necessary to turn.

In many respects the complexities of the 'cosmopolitan capitalism' seen in the nineteenth century had given way to simpler structures. The First World War was important in this respect. The warring countries investigated who really owned the companies registered in their countries, and who really controlled companies whose names sounded respectably local. One of Britain's large petroleum distribution companies - the British Petroleum Company - turned out to be largely controlled by the Deutsche Bank. Both sides sequestered such foreign-owned companies and often

sold them to local firms. Thus the British Petroleum Company was sold to the Anglo-Persian Oil Company - in which the British government had taken a 51 per cent shareholding in 1914 - whose name it eventually adopted in the 1950s (Jones 1981). The phenomenon of sequestration the basis of ultimate 'control' was a new phenomenon.

The new importance of nationality in international corporate life, however, provided incentives for firms to shift their nationality for political or tax reasons, or else disguise it. An example of the former was Italy's Pirelli, which in 1920 placed all its foreign operations into a new financial company - Compagnie Internationale Pirelli - registered in Belgium. However the Belgium company was ultimately controlled by the Pirelli family. In 1937 Pirelli Holdings was founded as a Swiss company with its seat in Brazil, and by 1940 all Pirelli's overseas operations were controlled by it. The Pirelli family held less than 30 per cent in the Swiss company, but nonetheless exercised managerial control over it. This arrangement proved most convenient during the Second World War, when the Allies accepted that it was a Swiss company and it escaped sequestration (Montenegro 1993). The danger of 'sequestration' led to deliberate 'cloaking' or keeping the fact of foreign ownership secret. The largest Norwegian interwar iron ore mining company, AS Sydvaranger, was secretly owned by Germany's Vereinigte Stahlwerke (Alders and Wiebes 1985).

The new importance of nationality in the twentieth century led to the phenomenon of the 'migrating' multinational, or firms which shifted their nationalities in terms of place of incorporation, seat, or nationality of shareholders. These shifts

were real, and not cosmetic as in the case of Pirelli or the 'cloaking' discussed above. The twentieth century saw several migrations of large firms. An early example was British American Tobacco (BAT). This venture was founded in 1902 as a result of a truce between the previously warring American Tobacco Company and Imperial Tobacco of Britain. The US market was reserved for American Tobacco and the British market for Imperial Tobacco, while the new Bat was allocated tobacco production and marketing in the rest of the world. It pioneered an extensive multinational manufacturing operation and sold 12 billion cigarettes in China alone by 1914. BAT was British registered, but initially US controlled and managed. However the US influence was diluted after American Tobacco was ordered to be dissolved on anti-trust grounds in 1911, and by the early 1920s British managers and shareholders were dominant. BAT had effectively 'migrated' to Britain, and in the 1990s it remained one of Britain's largest multinationals (Cox 1989).

A reverse migration came in 1976 ANZ Bank shifted domicile from Britain to Australia. ANZ was a legacy of the British overseas banks established in the nineteenth century to operate in British colonies. By the 1970s it was one of Australia's largest banks - with over 1,500 branches in Australia and New Zealand. In London, ANZ had its Board of Directors, its Head Office and a substantial international banking business, but no domestic British commercial banking business. 95 per cent of the shareholders were residents of the United Kingdom. The problem for ANZ Bank was the web of British and Australian exchange controls in the 1970s. The British government would not let the bank raise funds or spend Sterling outside the Sterling Area, thus preventing ANZ's ambition to extend operations to Asia and

the United States. In 1976 ANZ resolved to emigrate to Australia. The old London board of directors was dissolved and a new one in Melbourne established. By 1981 70 per cent of the shares were listed on the Australian share register, and the bank had become thoroughly Australian by any measure (Merrett 1985; Jones 1993).

The growth of international cartels in the interwar years also raised new complexities concerning nationality. International cartels became extremely important in many primary commodities and in manufacturing industries characterised by a small number of producers and relatively slow-growing markets, such as chemicals, engineering and iron and steel. In these industries, cartels were used as an alternative to FDI and exercised a decisive influence on prices and output. In some cases international cartels can be identified with a nationality in that the firm of one country had sufficient influence to control decisions. In the interwar electric lamp cartel, GE of the US never formally joined the cartel but was able to exercise a decisive influence on its policies due to its strong patent position and equity shareholding in companies which were members (Reich 1992). The international dyestuffs cartel was similarly more or less controlled by Germany's IG Farben (Schröter 1990). But in most cases the 'control' of international cartels lay in the hands of several parties from several countries. Sometimes the cartels had a 'seat' in countries with discrete or liberal regulations, such as Belgium and Switzerland, but this gave no indication where control actually rested. The Electric Lamp Cartel, for example, was administered by a Swiss company - Phoebus S.A. - but in no sense can its 'control' be said to have rested in Switzerland.

In the post-Second World War period international cartels were largely swept away by the combined pressures of fast economic growth and US anti-trust legislation, although they survived in industries where governments had a vested interest in their continuance, such as air travel and telecommunications. The 1950s and 1970s were the 'classic era' of the multinational when large, integrated US-corporations appeared to be the dominant organisational form in international business. Between 1945 and the mid-1960s the United States probably accounted for 85 per cent of all new FDI flows. These US firms were the world's technological innovators in a range of products, including chemicals, electricals, computers, and held prominent positions in many other industries such as automobiles, electricals and office equipment. There was, Reich plausibly asserts, little doubt that Ford, General Motors and IBM were American.

Yet even in these cases the issue of nationality was not completely unambiguous. In her history of US multinationals, Mira Wilkins described the organisational forms through which they passed. When US firms first invested abroad their organisational structure was 'monocentric'. Foreign subsidiaries were organised like 'spokes on a wheel, with the parent company at the hub'. There was a very close relationship between the parent and the subsidiary. The parent established the subsidiary. The product manufactured the foreign subsidiary would normally be identical to that produced by the parent. There were very close links in terms of finance, technology and staffing.

From the interwar years what Wilkins described as a 'polycentric' relationship developed. A number of factors gave greater autonomy to foreign affiliates. Trade barriers discouraged the import of components and encouraged a move to manufacturing a full range of products and a focus on national markets. Exchange controls, the growth of nationalism, and restrictions on the mobility of people all led to the foreign subsidiaries of US corporations acquiring even stronger national identities (Wilkins 1970, 1974)

The result was that the subsidiaries of US corporations became more and more replicas of local companies. A study by Dassbach of IBM, Ford and General Motors has shown them responding to these pressures and the competition of their European rivals by developing new products for major overseas markets which were distinct from those produced for the domestic US markets. By the 1930s, he suggests, their foreign subsidiaries looked very much like local producers in their markets, especially as decentralisation of production was accompanied by the decentralisation of administration as operating control was transferred to subsidiaries (Dassbach 1989:483-7). During the 1950s and 1960s the foreign subsidiaries of large US corporations were largely standing alone from their US parent or other subsidiaries. The level of intra-firm manufacturing imports and exports was low, and they manufactured distinctive national products.

To what extent can the autonomous US-owned subsidiaries be regarded as 'American'? There can be no doubt that in their organisation, technology and culture an American influence was evident. The best indication of this is that in almost every

European host economy in the 1950s and 1960s the productivity performance of US manufacturing affiliates was superior to that of indigenous competitors. However the strong national identities of these subsidiaries, alongside the fact that the transfer of US practices was hardly ever complete, meant that they resembled 'hybrid' organisations rather than American ones. The same observation has been made about Japanese owned affiliations in the United States in the 1990s (Abo 1994).

The autonomy of national subsidiaries began to lessen in the 1960s when a few US corporations began to integrate their North American and European operations. A key development was IBM's System 360 computers, launched in 1964, and designed to be manufactured and sold worldwide, which necessitated a much greater degree of international co-ordination than seen previously. During the 1950s IBM's foreign subsidiaries were hardly co-ordinated at all. Twenty years later the firm had two regional production networks, in Europe and North America. In the mid-1960s Ford who decided to integrate its manufacturing on a regional basis. Beginning with the integration of the US and Canada in 1965, in 1967 Ford of Europe was created which began to integrate previously autonomous national affiliates. Previously Ford's major European subsidiaries in Britain and Germany had operated virtually independently, and produced unrelated passenger car models. The first Europe-wide model - the Capri - was launched in 1969. European-based multinationals were much slower at regional integration. Unilever's European subsidiaries were producing and selling their own range of products well into the 1970s. While US corporations created European corporate entities, many European managers - like their politicians -

remained pre-occupied with the differences between European countries rather than the similarities of their markets.

Paradoxically, the global integration strategies which were pursued by more and more multinationals may have reduced ambiguity surrounding the nationality of MNEs by ending the autonomy of affiliates. The new, globally-integrated MNEs locate functions wherever they functioned best to fulfill the firm's overall strategy. This allocation was still made at the higher reaches of corporations which remained in the 1990s very much the preserve of nationals of the home country. These circumstances, it is possible to reach a conclusion opposite to that of Reich, that the ultimate 'nationality' of multinationals has become clearer and more important as a result of recent trends.

At the very least, it can be asserted that the idea that contemporary multinationals are stateless 'global webs' is implausible. The national influence on multinational corporations remains very strong. (Dunning 1995) Boards of directors continue to be overwhelmingly of home country origins even if the globalisation of capital markets has led to the ownership of the equity of large corporations being widely dispersed between countries. The globalisation of key functions such as R&D remains very limited. In the early 1990s 87 per cent of the R&D expenditure by US multinationals conducted on their own behalf was incurred within the United States. To some extent, the international dispersion of R&D by multinationals which has occurred has mainly resulted in an upgrading of the R&D conducted at home. By

locating some less sophisticated R&D activities abroad, resources are freed at home for employment in more sophisticated activities.

However, the strength of this argument depends on the aspect of the corporation being considered. It applies best to the strategic direction of the firm and high level decisions about resource allocation. On the other hand, at the level of individual products, the question of nationality has become thoroughly confused. Integrated production systems mean that labels such as 'Made in America' or 'Made in Switzerland' have become increasingly meaningless, because such products may have been assembled from parts from a dozen or more countries. At the same time recent years have seen the growing ability of firms to buy and sell brands which convey strong national identities. British-owned Grand Metropolitan has a large business selling the American dream through a number of products. Among its main activities are the ownership of the hamburger chain Burger King and four very American food brands - Pillsbury (baked beans), Häagen-Dazs (ice-cream), Green Giant (vegetables) and Old El Paso (Mexican food). Grand Metropolitan sells internationally the lifestyle and food tastes of the US which it combines with British strengths in capital-raising and financial management.

Concluding Remarks

There are considerable ambiguities and complexities involved in the issue of the relationship between multinationals and nationality. There are problems about the most appropriate measure of the nationality of a corporation which remain unresolved

in international law. There are also problems about the use of the nation state as the unit of analysis for multinationals. This essay has suggested that it might be more appropriate to look at multinational investment patterns in regional rather than national contexts. Both of these matters require more scholarly attention. However, and putting them to side for the moment, this essay has highlighted the difficulties in sustaining the argument that in the past the nationality of multinationals was clear, while for contemporary multinationals corporate nationality is both unclear and irrelevant.

Historically, the strong influence of nationality on international business is strongest if attention is focused on FDI estimates. These show, for example, that firms of some countries are disproportionately likely to invest abroad than the firms of other nationalities. It is also evident that the direction of FDI flows was heavily influenced by nation-specific factors. However, once disaggregation occurs it is clear that a great deal of international business in the nineteenth century was 'cosmopolitan' and not easily fitted into national categories. The place of registration, the nationality of shareholders, and the nationality of management could and quite often did point in different directions before 1914.

In the twentieth century cosmopolitan capitalism was replaced by much sharper national identities. The nationality of firms became more clear, though firms sometimes sought to disguise their ultimate parent country, and the participation of many of them in international cartels in the interwar years raised new questions about where 'control' lay. The interwar disintegration of the international economy, which

was also slowly re-integrated from the 1950s, also led to the national subsidiary of multinationals taking on strong local identities. This meant that while from a US perspective Ford and IBM may have looked unequivocally American in appearance in the 1950s and 1960s, from host country perspectives they may have resembled international hybrids with a strong local input.

In the 1990s multinationals have not lost their national identities, although the products and brands which they manufacture sell may have done. Ownership still matters. Indeed, in some respects it may 'matter' more than in the post-Second World War decades.

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