AN INTRODUCTION TO THE MULTINATIONALS

MICHEL GHERTMAN
AND
MARGARET ALLEN

AN INTRODUCTION TO THE MULTINATIONALS

Michel Ghertman and Margaret Allen

M
MACMILLAN PRESS
LONDON
for
IRM
INSTITUTE FOR RESEARCH AND
INFORMATION ON MULTINATIONALS
GENEVA

© Presses Universitaires de France 1982, 1984

Originally written in French by Michel Ghertman
as *Les Multinationales* (Presses Universitaires
de France, Paris, 1982)
Translated into English by Christina Laporte
The translation was rewritten and revised by
Margaret Allen under the direction of
Michel Ghertman

All rights reserved. No part of this publication
may be reproduced or transmitted, in any form
or by any means, without permission

First published 1984 by
THE MACMILLAN PRESS LTD
London and Basingstoke
Companies and representatives
throughout the world
for
INSTITUTE FOR RESEARCH AND
INFORMATION ON MULTINATIONALS
45–47 Rue de Lausanne, 1201 Geneva

Typeset by
Wessex Typesetters Ltd
Frome, Somerset

Printed in Great Britain by
The Camelot Press Ltd
Southampton

British Library Cataloguing in Publication Data
Ghertman, Michel
An introduction to the multinationals
1. *International business enterprises*
I. Title II. Allen, Margaret
338.8′8 HD2755.5
ISBN 0–333–36450–3
ISBN 0–333–36451–1 Pbk

AN INTRODUCTION TO THE MULTINATIONALS

Also by Michel Ghertman

EUROPEAN RESEARCH IN INTERNATIONAL BUSINESS *(with James Leontiades)*

LA PRISE DE DÉCISION

GESTION INTERNATIONALE DE L'ENTREPRISE (*with others*)

Also by Margaret Allen

THE MONEY BOOK: Your Money and Your Life

SELLING DREAMS

THE PAN GUIDE TO INSURANCE

THE BLACK ECONOMY (*with Arnold Heertje and Harry Cohen*)

试读结束：需要全本请在线购买： www.ertongbook.

Contents

Introduction

> I hope that the reader will leave behind the universal attitude which confuses fact and value, wish and reality. If we say that Dillinger's gang in a certain situation is stronger than Al Capone's, that means neither that we admire the first nor pity the second.
>
> C. Castoriadis, *On War*, Paris: Fayard (Coll. 'Les réalités'), 1981.

The public, academics and politicians look at multinational companies in a variety of radically different ways. To some, multinationals, with their influence linked to the power of money, consolidate the power and riches of a few to the detriment of the majority. Those with such views may even go so far to allege that multinationals are able to manipulate or overthrow foreign governments. Others, in contrast, regard multinationals as the most modern and efficient form of company organization and, therefore, indispensable, beneficial vehicles for economic and social progress.

In 1974, a survey[1] showed that in general, the image of multinationals is much more negative than positive: they are modern monsters, uncontrollable organisms with many tentacles.

> The images are strong and concise, dominated by an impression of power and hidden activity, which are two versions of the same fear. They arouse many strong feelings, including those of a cold hybrid monster and secret, nefarious acts. All these associations are metaphors

> for something monstrous or abnormal; the image most often evoked is that of highly complex organisms reaching out farther and farther to grab (monsters 'with antennae', octopuses 'with tentacles', 'multi-headed' hydras). Another frequent image is that of an enticer (which 'devours', 'sucks', 'swallows' or 'gulps'). We also find metaphors of obscurity – something which functions 'in the shadows', surrounded with mystery . . .[2]

Are such assertions exact, or, on the contrary, are they stereotypes? This is obviously one of the major questions which this book will seek to answer. Before so doing, however, it is necessary first of all to define what multinationals are, understand the history of their development, and analyse their functions and economic, political, social and cultural role in society today.

The definition of a multinational company throughout this book is 'any company originating in one country and having continuous activities under its control in at least two other countries, that is, foreign countries, which provide more than ten per cent of total group turnover'.[3] The company in the country of origin is generally known as the parent company, or sometimes the Head Office and the extensions into the host countries as foreign subsidiaries. The latter may be under the former's financial control (that is, majority shareownership), managerial control (through a management contract), or technological control (through the transfer of technology). The definition covers both industrial and commercial firms and, increasingly, services like banks, advertising agencies and consulting and engineering companies. A multinational is not necessarily a company in the private sector of industry like Shell Transport & Trading, B.A.T. Industries, Barclays Bank or General Motors of America; it may belong to the State. Examples of the latter are British Leyland and Cable British Airways in Britain, Renault or Elf-Erap in France, or Tungsram, the Hungarian multinational. Again, a multinational is not necessarily a large firm: there are many small and medium-sized multinationals.[4]

Until today, the various definitions of multinational companies[5] have revealed only a part of the full range of their activities, since they have dealt solely with large industrial firms. They left aside the service industries even though more and more of the multinationals' economic activity involves services, which are, therefore, increasingly typical of the multinational phenomenon.

Depending on different authors, companies with foreign subsidiaries may be called multinationals, plurinationals, large interterritorial units, conationals, supranationals, or transnationals, but these differences in vocabulary are not particularly important. In this book the original term of multinational enterprise or company, which is widespread in a majority of university milieux throughout the world, will be used.

It is necessary, however, to mention the United Nations, as well as the different agencies attached to it, and the many researchers in Latin America, who since 1974 have systematically used the term 'transnational' to designate the very large multinationals originating in industrialized countries. This is a political choice and excludes the small and medium-sized multinational firms and all the multinationals, including some very large ones, where the parent company is in Eastern Europe or the developing countries.[6]

The transfer of technology is a form of multinationalization which is becoming increasingly important.[7] For example, a British building contractor or property developer with no subsidiaries abroad may well make a large proportion of its turnover through technology transfer outside Britain. Such transfers are complex and made up of complementary elements including plans for the construction of factories, roads, dams, hospitals or schools; furnishing equipment and materials for the particular development; training of local labour (staff and workers); getting equipment to the right place at the right time, supplying parts and maintenance. The ultimate form of transfer, and the one that best illustrates its success, is the ability of the seller to transfer to the buyer the possibility of itself creating new technology and having the means to do so. The term external transfer of technology is used when a company, which is already a multinational, or which becomes a multinational at that time, transfers technology to an indigenous firm of a country where it was not previously present. In contrast, an internal transfer occurs when the parent company transfers technology to its subsidiaries.

Such transfer activities are essential for the survival and success of the company. They demand a great deal of effort by the firm's general management and its top-level engineers and technicians.[8]

In contrast to the multinational, the company which has activities limited to a single country should be referred to as uninational, or mononational. These terms are not generally in use in the United Kingdom, but are preferable to others.[9] In particular, the term 'national company' must be avoided as it is most often used to designate state-controlled firms which have been created, or nationalized by the State. A number of these firms, however, may be multinationals. This is particularly true in France. Thus there are private or state-controlled multinationals in the same way as there are private or state-controlled uninationals.

Nevertheless, many uninational companies export a great deal; they remain uninational as long as they do not invest abroad in factories and/or offices, which would permit them to exercise their activities locally like an indigenous firm with legal status in the host country. A firm, for example, which exports its products by means of wholly independent import merchants is not a multinational. On the other hand, a firm which exports through its own subsidiaries *is* a multinational, if the subsidiaries have fixed assets like buildings, offices, warehouses or transportation equipment in the host country.

An example will clearly differentiate a uninational company from a multinational. A Scottish whisky distiller or French winemaker who exports to the United States through a New York import agent heads a uninational firm. If the same distiller or winemaker builds a distillery or buys

试读结束：需要全本请在线购买： www.ertongbook.com

vineyards and sets up business in California, Spain and Australia, he then manages a multinational.

This book has four main chapters. The first shows why and how the multinationals developed and in which countries and sectors they originated. The second chapter studies the internal functioning of the multinationals and their economic dimension. The third examines the role of the multinationals in the economy at national as well as international levels. Their role will be compared to that of uninationals in the areas of employment, inflation, recession, international trade, rates of exchange and the balance of payments. The final chapter analyses the involvement of the multinationals in the political, social and cultural domains.

On the basis of the information given in these four chapters, the conclusion tries to separate myth from reality in the images which we all have of the multinationals.

1 How Multinationals Developed

THE DIVERSITY OF THE HOME COUNTRIES

The multinational company is not the only form of international organization, nor is it the first that ever existed. From earliest history – we have only to think of the Phoenicians 2500 years BC or the Venetians from the tenth century through the Renaissance – merchants have traded on an international basis. The same is true of bankers. Churches, too, spread outside of their home territory, thanks to missionaries.

The early modern multinationals were European. The first, which dates from the beginning of the nineteenth century, was the S. A. Cockerill steelworks, which was established in Prussia in 1815 and today is Belgian-based. Others followed at the end of the century – Bayer of Germany in 1863; Nestlé of Switzerland in 1867; the Belgian Solvay in 1881; Michelin (France) in 1893; and Lever Brothers (United Kingdom) in 1890. William Lever, founder of the last, explained that 'When customs duties and various restrictions hinder sales in a country, it's time to build there.'[1]

THE FIRST MULTINATIONALS

At the turn of the century, transport costs and high duties often made it difficult for industrialists to export. They therefore decided instead to invest overseas. Some, like

Bayer of Germany went into Imperial Russia: others set up subsidiaries in Latin America. L'Air Liquide of France, with products difficult and expensive to transport, was one of the first to do this at the turn of the century. Its rival, the British Oxygen Company, now BOC, in contrast, went first into the markets in Australia and South Africa and other large Commonwealth countries where British influence was strong.[2] Other British companies like Lever Brothers, now the Anglo-Dutch giant, Unilever, also invested heavily in Africa. One interesting and unique early case was that of British American Tobacco (now B.A.T. Industries) which, from its formation in 1902, was always a multinational. It was banned from selling cigarettes in the British market, which was already overloaded with tobacco companies, so it was selling in Latin America, Africa and Asia right from its inception. Its subsequent development and growth in the United Kingdom has been in other industries like cosmetics, printing and packaging and retailing. It is now engaged on a second wave of multinationalization, moving into markets overseas in its new interests.

In the same way, as far as the primary sector of industry was concerned, the Europeans had to secure supplies of raw materials which did not exist in their countries – gold, copper, zinc, nickel, and petroleum, and bauxite later on. So they invested in the foreign countries where there were such resources and built the facilities necessary for their extraction.

The first phase of multinational growth was soon cut short. This happened in Russia following the 1917 Revolution, when all such enterprises were nationalized. Two successive World Wars created great problems for the parent companies. They were having enough difficulties in just surviving at home to try to develop their activities abroad. And, further, during the Second World War, the Government of the United States confiscated the German multinationals there. Their assets were sold to American firms. To give one example, Linde, the German gas company, had set up subsidiaries in the United States between the two Wars. These subsidiaries were confiscated and sold to Union Carbide, a large American chemical conglomerate. Union Carbide created a section for gas which was named the 'Linde Division'. Today, however, the German company has succeeded in re-establishing its own new subsidiaries in the United States.

THE AMERICAN PHASE

The best-known phase of multinational growth was basically by American firms.[3] It began almost as soon as the Second World War ended in 1945 and continued to the end of the sixties, paralleling the reconstruction of Europe and the coming of the consumer society. For some years the United States, taking advantage of the wars between the European powers, had benefited from an impressive rate of growth. Above and beyond their own market, American companies were sending supplies to Europe, at a time when the growth of European firms was hampered by the successive wars. Thanks to superior technology, the Americans were exporting products which they were the first to manufacture. When the Europeans began to rebuild their economies, they obviously copied these products, either by developing their own technology or by importing American technology. The Americans had no choice but to go multinational. By this time they were suffering from local competition in Europe, because duties and transport costs had to be added to their production costs in the United States. To maintain their share of the market in Europe,[4] they had to build factories there. This phenomenon accelerated at the beginning of the sixties when the Common Market[5] gradually eliminated customs duties among the principal European countries. The Americans were thus able to consider the member countries of the EEC as a single market and set up factories to meet the scale of that market.

During the fifties and sixties, American companies intensified their efforts in setting up activities in Europe and Canada much more so than in Latin America, or other developing countries. This happened despite the fact that, in the latter countries, where the multinationals produce essentially for local consumption, labour is much cheaper and profitability much higher than in Europe. Thus it is clear that survival and growth are as important for the multinationals as profit.[6]

THE GROWTH OF EUROPEAN AND JAPANESE MULTINATIONALS

The development of European and Japanese multinationals began at the beginning of the seventies and produced a significant increase in the number of home countries of multinationals. The new multinationals were mainly Japanese and European, but they also originated in developing countries like Brazil, Mexico, India, Hong Kong, Singapore and South Korea, as well as in Eastern European countries. Today, therefore, the multinational phenomenon is becoming worldwide.

After the Second World War, the reconstruction of Europe and Japan led to the development of large uninational companies. These were very soon limited in their development because of the relatively small size of the economies of the countries in which they were based. Exporting within the Common Market, however, made rapid expansion possible for the European companies. Very often they could continue production in the factories in their home country and export to neighbouring countries thanks to the progressive lowering of customs and excise duties within the EEC. A network of subsidiaries dealing with distribution was quickly established in the countries to which they exported. This was not sufficient for some companies who found it necessary to set up factories in host countries.

There were four distinct reasons for this development:

1. In certain industries – for example, milk derivatives (with products which cannot be transported farther than 600 miles) or liquid gas (the containers are much too heavy) – there are production limits in any one factory. It is not advisable to

试读结束：需要全本请在线购买： www.ertongbook.com