The Anthropology of Europe

Identity and Boundaries in Conflict

Edited by
Victoria A. Goddard, Josep R. Llobera and Cris Shore

BERG
Oxford/Providence, USA
Chapter 11

The Commercial Realization of the Community Boundary

Malcolm Chapman

Introduction

This chapter is a revised version of a paper presented to the conference of which this book is a result in June 1992, and '1992' was supposed to be the year at the end of which the 'Single European Market' would be achieved. It was a great year for publishers and media events; a deadline year, rather like the end of a millennium — a visible fault in time, where past became future. That, at least, was how it seemed in prospect. In retrospect, of course, this feature turned out to be less palpable: 31 December 1992 and 1 January 1993 turned out to be much more like, say, a publisher's deadline than like the time of sunrise — the first endlessly negotiable, the second ineluctable. Human deadlines are often like that. The process of the creation of the single market has, in various ways, been going on for years, and will take years more to complete, if indeed it ever can be regarded as ended. Media-hyped as it was, however, 1992 did at least provide an excuse for a great deal of discussion about what Europe was, or ought to be.

This chapter attempts to deal with some trade and business-related aspects of the European Community, and its relationship to non-Community Europe and to the rest of the world. The author is a social anthropologist, whose previous work has been primarily about the Celtic fringe (see Chapman 1978, 1992). Subsequently to this, I have now been working in the field of business studies for several years; I have a particular interest in Poland, and in how European events are perceived from that country. Some of this interest is conveyed below. The study of international business
Free Trade, Regionalism, and Trade Blocs

It has been broadly accepted that free trade between nations, without government intervention or regulation, leads to lower prices and greater efficiency overall. The removal of the barriers between countries, and the ability to choose from a wider variety of goods, benefits producers and consumers alike. The General Agreement on Tariffs and Trade (GATT) is one of the international institutions established in 1947 to promote free trade in this era.

The post-World War II era saw a rapid increase in international trade, with the establishment of the General Agreement on Tariffs and Trade (GATT) in 1947. GATT was designed to promote free trade by reducing tariffs and other trade barriers. However, it was not without its critics, who argued that it did not go far enough in promoting free trade.

The Community and the World

The Community, and particularly the European Community, has been a major player in the international trade system. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Commercial Realization of the Community Boundary

The Community has sought to expand its boundaries through a series of enlargements, each of which has been met with resistance. The challenge is to balance the interests of the existing member states with the need to protect the interests of new members.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.

The Commercial Realization of the Community Boundary

The Commercial Realization of the Community Boundary has also been a key factor in the development of the Community. The Community has sought to promote free trade within its region, while also negotiating trade agreements with other countries. This has often involved balancing the interests of producers and consumers, as well as the need to protect national industries.

The Anthropology of Europe

The Anthropology of Europe has been a major force in shaping the understanding of the Community. It has been particularly influential in the areas of cultural and linguistic diversity, and in promoting the idea of a European identity.
diminished (see Focus, GATT Newsletter no. 104, December 1993).

The GATT (and now the WTO) and emergent regional groupings have important, though rather diverse, consequences for pre-existing nation-states. The trend of GATT activity is to lessen the importance of the nation-state as an entity which sets trade barriers round itself in idiosyncratic ways. The nation-states are the parties to GATT negotiations, to be sure; but they are there to negotiate themselves away. Regional groupings have a similar effect, within themselves; the European Community has a clear tendency to lessen the importance of the traditional nation-states within it, by taking away barriers between them (to the alarm of many, of course). The barriers are taken away at national level, however, only to be reimposed at supranational level; here, the frontiers of the regional grouping, usually congruent with a previous national boundary, assume more importance than ever. The boundary between, say, Germany and Poland, or between Greece and Turkey, is not now only a boundary between two countries: it has become supercharged - a boundary between the European Community and all the rest.

In the 1960s we became used to calling the EEC 'the Common Market'. It is necessary to look at this terminology, for the technical aspects of the vocabulary are of considerable importance. Economists and policy-makers typically distinguish between three different levels of unification in matters of trade and finance:

1. a Free Trade Area;

2. a Customs Union; and

3. a Common Market.

1. In a Free Trade Area, a number of countries will agree to eliminate all trade barriers between themselves - trade barriers usually taking the form of tariffs, quotas, idiosyncratic customs requirements relating to health and safety, subsidies and so on. At the same time, they maintain their own existing national barriers against trade with the rest of the world, barriers which may vary greatly from one country to another within the Free Trade Area. There is often a great deal of squabbling about details, and exceptions made for this or that sensitive case, so much as to vitiate the original intention in large degree. The European Free Trade area is one example of such an association.

2. Customs Union. In a Customs Union, barriers to trade within the Union are removed, as for a Free Trade Area. A Customs Union takes the further step, however, of harmonizing trade barriers to the rest of the world outside the Union; all participating countries adopt the same regulations governing trade with the rest of the world, in particular a common external tariff. By about 1968, the EEC was well advanced towards this state.

3. Common Market. A common market has no internal trade barriers, like a Free Trade Area, and common external barriers, like a Customs Union. It also, however, takes the further step of allowing the free movement of labour and capital across national boundaries within itself.

It was disagreement in the 1950s about the appropriateness of the two approaches, the Free Trade Area and the Customs Union, that led to the separation of much of Europe into two groups, EFTA and the embryonic EEC. A Customs Union enjoins upon its members a common approach to trade with the rest of the world. Since trade restrictions have traditionally been such an important weapon in the political armoury, a Customs Union also necessarily seemed to imply a degree of political harmonization. EFTA contained countries that were worried, for different reasons, about the political and sovereignty implications of the Customs Union approach: Sweden and Switzerland, for example, because they feared it would encroach on their neutrality; Austria because its neutrality was demanded by treaty; and the UK because it wished to safeguard its special trading relationships with the Commonwealth. The Customs Union path was taken by those countries that formed the original 'six' of the EEC - France, Germany, Belgium, Holland, Luxembourg and Italy. The implications of loss of sovereignty were less important to these countries than other possible gains, in particular that of avoiding having a war every generation. It was a correct analysis, however, that a Customs Union would have a political dynamic towards unification, in a way that a Free Trade Association did not, as we are now discovering.

It was, in my recollection, sometime in 1991 that British newscasters first started to call the 'EEC' (which we knew to be short for 'European Economic Community') the 'EC'. This truncation was not explained or announced, but we soon came to learn that 'EC' was short for 'European Community'. The
The Anthropology of Europe

implication was that the Community had gone beyond ‘economics’, into other areas. Not long after this, it rapidly became conventional that the real name was the ‘European Union’, ‘EU’, with all that this implies. These uninvited conceptual expansions had many sources, among them, no doubt, the self-aggrandizing nature of the European bureaucracies which we had already allowed to come into being. Another major source, however, was the thrust towards European monetary union. Since the value of money moved from weight of metal to confidence in paper, money has tended to be nationally defined; cross-national transactions have required exchange rates. Money has been at the centre of government policymaking, whether through Keynesian attempts at demand management, or through Monetarist attempts at controlling the money supply – the entire web of macroeconomic cause and effect has strings of money running through it. A tug on one can change the structure in many ways, and this will ultimately have an effect upon the value of money both internally and, crucially, externally: if a national government wants to change its macroeconomic policies (to devalue, say, in order to boost its exports, or to increase public spending in order to bring down unemployment) then its actions will have consequences on the exchange rate with other currencies.

If there is no exchange rate, however, and no currencies, the scope for ‘national’ macroeconomic policies is very much reduced – even completely removed. ‘Regional’ policies can be employed, much as they are today within the UK, involving transfers of revenue from rich areas to poor areas. The traditional area of operations of national government, however, is much limited (and a good thing too, some might think); its freedom of action, its independence from the activities of the greater unit (whoever controls that), is gone. That is why ‘monetary union’, innocent enough in sound, threatens to transform the EEC into an EU, whether we like it or not. Monetary union and political union will, it seems to many observers, either come together, or not come at all.

International Trade, Investment, and the Multinational Corporation (MNC)

The world economy since the Second World War has been characterized by remarkable growth, and by internationalization of trade and investment. A major agent of this has been what is often called the ‘multinational corporation’. In the immediate post-war period the US economy had many advantages over the rest of the world (it was not indebted, it had not been bombed, it was ripe with the rich technological stimulus that the war had provided), and it was US companies that first made MNCs into striking and major actors on the world stage. There had been MNCs before this, notably British, Dutch, German and North American (not to mention the Italian banks of the Renaissance, or the Dutch and British East India Companies); but the growth of MNCs in the post-war period was on an entirely new scale.

In the 1950s and 1960s, US companies made the running in the internationalization of the world economy. They invested abroad to secure raw material supplies, to employ cheap labour, and to gain access to markets. They invested particularly in Europe, East Asia, and the rest of the Americas. Their rate of growth was so phenomenal that it began to seem as though the end-result of their activities would be a world-economy dominated by US MNCs. The French journalist and politician, Servan-Schreiber, worried by the implications of this for the sovereignty of other countries (and particularly, of course, for France), made an early and famous contribution to the long-running debate about the MNC, in Le Défi Americain (1967; translated into English in 1969 as The American Challenge). He argued, in effect, that national sovereignty was being sold away to US companies, and made the famous prediction that, by the early 1980s, there would be three major industrial powers in the world – the US, Russia, and American Industry in Europe (Servan-Schreiber, 1969: 3). We know now that he was wrong in two out of the three elements in his prediction, which tends to be the case when short-term trends are extrapolated too far. His point that foreign direct investment has some potentially undesirable effects upon national sovereignty has, however, since been much discussed, and is still a burning issue.

The three major economic powers in the world in 1990 were, in fact, Japan, the US, and the EC/Germany. European companies,
recovering from the war (often with considerable help from US companies), began to make major foreign investments themselves. British companies built on existing positions of strength in the Commonwealth, made tentative forays into Europe, and by the late 1970s were becoming major investors in the USA. Companies from continental Europe invested cross-nationally, although they tended at first to invest in immediately neighbouring countries. And Japanese companies, having limited themselves to trading on a massive scale with the rest of the world, began in the late 1970s and through the 1980s to invest on a massive scale as well. They moved to the newly industrializing countries of south-east Asia for cheap labour, and they moved to the USA and the EC for access to markets - markets which their aggressive trading success seemed to have put at risk, as talk of trade protection increased. The UK was a favourite destination for Japanese capital in Europe: it was relatively open to foreign investment, without excessive regulation or restriction; it posed no greater linguistic difficulties than North America; and it had a relatively favourable cost-skills ratio among the potential workforce. Many elsewhere in the EC, particularly in France, came to see Japanese investment in the UK as a kind of trading fifth column, allowing Japanese companies to circumvent the protective rules of the EC. The French and British views on what precisely the EC was for clashed repeatedly over this issue - the French tending to regard the EC as a way of providing supranational protection for European industry champions (ideally French ones), and the British regarding it primarily as a way of opening up markets on a continental scale, breaking down old regimes of national protection (it is both of these things, of course, by its nature; different aspects were uppermost in different minds, however).

The trend of Japanese investment in the US started a flutter of spirits very like that which US investments in Europe had caused twenty years earlier. For a few years the apparently inexorable rise of Japanese investment in the US, coupled with the persistent trade deficit between the US and Japan, led to fears of domination and colonization, and loss of indigenous industry, just as Servan-Schreiber had expressed them in the earlier context (see, for example, Prestowitz 1988).

Short-term trends extrapolated to eternity usually produce absurdity; but the post-war economic performance of Japan had been so consistently good, that there seemed no reason to suppose, during the surge of Japanese foreign investment in the 1980s, that it would not continue. When the Japanese stockmarket bubble burst in 1990, however, the Nikkei index fell by nearly 60 per cent in the following two years; Japanese property values, on the basis of which much of the investment was carried out, tumbled accordingly; Japanese companies, accustomed to investing for market share rather than profit, found themselves in the novel position of making losses; and the Japanese "threat" has, accordingly, receded somewhat. Indeed, the Japanese are having, as of writing, a "recession". The economy has great underlying power, no doubt; it has at least begun to seem, however, that the Japanese live according to something rather like the same economic rules as everybody else, rather than, as had sometimes appeared, in a different economic universe.  

The gradual consolidation of the European Community and the increased internationalization of the world economy, have together led many major non-EC companies to make investments inside the EC. This has primarily been motivated by a wish to get access to EC markets; and also to secure continued access to these markets.

4. The debate about Japanese success, within economics and management studies, brought to the fore some questions which might be of interest to social anthropologists. Much of the debate turned upon the possibility that the Japanese might have a different "culture", which explained their prenatural industrial success - they were "collectivists", which explained their loyalty to their employers, their willingness to work, their reluctance to engage in industrial disputes; they had a different view of time, prepared to sacrifice present reward for future reward, which made them "long-termists" in their investments, by comparison with the "short-termist" west, where companies were forced to sacrifice long-term investment for immediate dividend pay-out to shareholders; and so on. Many of these arguments were an attempt to explain why Japanese industrial relations seemed to be so good, and why Japanese companies could apparently get away with paying their shareholders so little in the way of dividends, which made their cost of capital so much lower than that of their competitors. Some of these ideas turn upon rather technical financial questions, and are beginning to receive rather technical financial answers, which demystify the phenomena - "evaporate the inscrutability", as joy Hendry has put it (1987: 202). Even when the answers are provided, however, the reality of the perception of "inscrutability" will remain; I have tried elsewhere to argue that perceptions of others are an important, real, irreducible aspect of the way societies react to one another, an aspect that cannot be lifted away into some notion of "subjective perception", apart from hard reality (social anthropologists do not, in general, have difficulty accepting this; positivist social science, however, has no adequate way of dealing with the problem). In the coming together of mighty economies, in the biggest of big-business deals, even the most trivial "mistakes" of cross-cultural perception can have major consequences, where there is a whole world of intricate misinterpretation, as when Japan meets Europe (say), then anthropological insight into the problem becomes, so I believe, essential. Again, this might seem self-evident to social anthropologists; it is a fact, however, that the great bulk of debate (and bullying it is) occurs with little or no anthropological input. The debate about "cultural" factors in development continues, not just in relation to the development of Japan, but to that of other areas of east and south-east Asia. Similar debate surrounds the apparent failures as well; some countries of South America, notably Argentina and Brazil, have been developing countries poised for the leap to industrial standard for over a hundred years; the leap has never quite occurred, however, and again "cultural" factors are often invoked to explain this.
when, if ever, the EC gates are closed, either to trade or to further investment. Japanese and US companies in particular have made major investments in the EC, in order to secure access to the EC market.3

There are variations in the extent to which the major economies invest in one another, but most of the leading industrial nations have very large investments in one another (in the form of direct investments in production and service subsidiaries; I am not, for the moment, considering portfolio investments). A significant exception is Japan, which now has large outward investments, but still rather small inward investment (much as with the UK in 1913, or the USA in 1965). It seems likely that the Japanese economy will eventually be made open to foreign direct investment, just as Europe and the United States have been; and indeed there is a significant trend towards inward investment.

The result of all this is a world economy that is dominated by international companies – companies that have major investments

As noted, those involved in this debate have not drawn upon social anthropological work. They have looked, instead, to forms of positivist social psychology. The result is that much of the work is, from a social anthropological point of view, both clumsy and naive. The first and enduring instinct of those involved is to take a dictionary, look for a definition of ‘culture’, and then try to find a way of measuring it, so that its ‘influence on behaviour’ can be assessed. In statistical comparisons, with other influences that are not cultural – such as of weather, or of individuals. Because of this, social anthropologists in the West have turned to a variety of other approaches, including quantitative methods, such as surveys, or focus groups, or even experimental techniques.

The nation-state, then, for better or worse, is important to people, to their understanding of the world. Any threat to its integrity is an accordingly serious matter; the stridency of debate about the activities of multinational companies has demonstrated this convincingly enough (see Fieldhouse 1988). If the world economy is increasingly moving into the hands of stateless and nationless

6. There are only about twenty countries in the world with an annual GDP in excess of the annual turnover of the largest corporations – General Motors, Royal Dutch-Shell, Exxon, and Ford. There are 18 companies whose turnover is bigger than the GDP of Pakistan. There are between 30 and 40 countries whose GDP is smaller than the turnover of the 50th ranking company, Rohm and Haas (see Fortune International, 29/7/1991; International Business Week, 15/7/1991; World Vital Statistics, Economist Publications, 1990).
multinational corporations, then much of our knowledge of the world might seem to need revision.

No doubt it does. Nevertheless, we can look back to Kindleberger’s obituary on the nation-state, in 1969, and see that he was wrong; the nation-state is still a major player in economic affairs, setting a regulatory environment that is binding in many respects upon any corporation, however big. The context of the homogeneous regulatory environment is moving, in the EC, from the national to the community level, but the importance of the regulatory environment remains; in this sense, the EC presents the MNC with the same old problem in a new guise.

Corporate ‘Nationality’

The question of the ‘nationality’ of a firm is an interesting one. For most of us, observers of the world-economy rather than its prime movers, many companies have a self-evident ‘nationality’. At the European level, we all know that Nestlé is Swiss, Renault French, Bayer German, ICI British. At the global level, too, the nationality of most of the major players seems to be in little doubt: Exxon, General Motors, IBM, Microsoft, are all from the United States; Toyota, Honda, Sony, are all Japanese.

Our knowledge of this is based to some degree upon the fact that these companies produce goods that we all consume. They are players in the game of international brand names – cars, petrol, sweets, consumer electronics and (latterly) computers and computer software. Outside this sphere of immediate consumption, in industries of great magnitude that do not impinge upon our daily consumption (in, say, engineering, construction, chemicals, paper, mining) we are perhaps less likely to be clear about the nationality of the companies involved – even less likely to have heard of them at all. This does not make them less important as players in the world economy, although it does mean that their activities are less likely to attract popular attention.

The largest companies now aspire to be ‘global’ in their operations – indeed, the adjective ‘global’ has become a part of corporate machismo, as witness the advertising in any business journal. The reality is rather complex, however.

The nationality of a corporation once seemed unproblematic. Until relatively recently, it was often the case that a public company’s management, workers and shareholders all shared the same nationality; the company carried out all its production and marketing within the confines of one nation-state; the consumers of the products were of the same nationality as well. In such a case, the company was unambiguously ‘national’.

When such a firm began exporting to foreign countries, its nationality remained unimpaired. Exporting companies could, indeed, generate a trading surplus, and the wealth generated thereby could give to an entire nation a sense of shared virtue – a sense which Japan luxuriates in at the moment, and which both the US and the UK had once, and would like to recapture.

A company that is clearly national, and that nevertheless engages in international trading on a massive scale, is a potentially great affront to nationalist sentiment in other countries, particularly if it produces consumer products which are readily recognizable, and in which consumers invest their understanding and identity – the confusion of economic rationality and affronted pride with which North American buyers approach ‘Japanese’ or ‘Korean’ cars demonstrates this very clearly.

When companies start to invest in foreign countries, particularly when they start to make large-scale investments in production plants, then the question of their nationality becomes more troubled. Many companies, however widespread their activities, tend to have one country which is clearly still home, where corporate headquarters are located, where major decisions are made, where the most value-added and high-tech business activities are carried out (particularly R&D, research and development), and from which the majority of senior executives come. In such a case, the host country, where the company has its manufacturing subsidiaries, can clearly regard the company as a foreigner on its soil, one of doubtful loyalty. There is a large and sophisticated literature on the costs and benefits, to both home and host country, of foreign investment of this kind, and there are no clear or unequivocal statements to be made. At the extreme, MNCs can produce very large-scale movement of wealth from the host to the home country. This was noted by Vaitos, documenting the transfer-pricing practices of US pharmaceuticals companies in South America (Vaitos 1974). The issue surfaced not long ago in relation to profit repatriation by Sony and Hitachi from their UK operations to Japan (Sunday Times, 22/3/1992). MNCs are also in a position to exercise political influence, often way beyond their commercial remit or
their responsibility to shareholders; their interest in securing an environment friendly to big business has unquestionably had a major influence on the domestic politics of many countries (by no means necessarily a malign influence); at the extreme, foreign subsidiaries can become an agent of home-country politics, as ITT’s South American operations notoriously allowed themselves to become in the period preceding the overthrow of the Allende government in Chile. Many governments in the developing world have viewed foreign MNCs as undesirable agents of foreign influence, and attempted to exclude them, seeking planned or autarkic economic solutions, which have rarely been successful. Current wisdom in the matter, weary of ideology, is perhaps well summed up by the aphorism – ‘there is only one thing worse than being exploited by foreign multinationals, and that is not being exploited by foreign multinationals’ (see, in general, UNCTC 1989, 1992).

Extremes of resource transfer and political manipulation illustrate the potential problems, but they are not typical. Many corporations are anxious to be seen to be ‘good citizens’ of the countries in which they operate, and local credibility is important to their operations. Nevertheless, they have a strong interest in profit, and will usually only pursue host-country interests where these are congruent with their own. In many areas of activity, such congruence exists, so that conflict is not inevitable: indeed, mutual benefit is commonly achieved – what international management consultants, in their egregious dialect, might call ‘a win-win situation’.

A multinational is not only of suspect loyalty to host countries, but also to the home country. In its home operations as much as in its foreign operations, a company is interested in profit, and will not necessarily take decisions of benefit to the home country. Many critics have regarded home-country companies as ripe for political manipulation by the home government, but this is an oversimplified view: they will collude with government if they see self-interest in such collusion, but they will actively and often successfully resist policies or pressures that are to their disadvantage (Lego and Bang & Olufsen, for example, as Danish as pastries, were quick to threaten disinvestment in Denmark, when the Danish government seemed ready to accede to the anti-Maastricht vote in the Danish referendum of 3/6/1992; see the Financial Times, 4/6/1992, p. 5). The threat was repeated in the debate preceding the second referendum of May 1993, when the Danes were prevailed upon to change their minds.

On the whole, however ‘global’ a company has become, it has tended to retain strong links with its first home. For many of today’s multinationals, however, the bulk of their operations and strategy lie away from this home base, and there has been a long-running debate about whether this means that they will stop being ‘national’ in any sense. Ohmae, for example, has argued that a future company will not need a ‘nationality’ (Ohmae 1990); Porter, by contrast, argues that no company can be successful globally without a secure ‘home’ base (1990).

Some major companies have attempted to decentralize the most sensitive of their wealth-creating assets – decision-making and R&D – in pursuit of global ambitions. IBM is a leader in this. Most companies, however, while anxious to pursue global strategies, pursue global markets, and anticipate global tastes, remain ‘national’ in some sense; after all, if a company is centralized in its decision-making (as most are), and if it has only one R&D centre (usually the most cost-efficient arrangement), then these have to be located somewhere; why not near the golf-course?

The physical location of productive assets is, of course, only one possible measure of ‘nationality’ for a company. There are others: Management. Senior management in major MNCs has tended to be dominated by nationals of the original home country; this carries with it suggestions of ‘nationality’, of loyalty and cultural predisposition, that are not necessarily related to, or compatible with, a truly ‘global’ approach (nor, indeed, with economic rationality).

Workers. Workers have a nationality, of course; the workers in a multinational tend to have a variety of nationalities, according to the geographical location of productive assets. Their nationality is, perhaps, the least ambiguous of all the elements of nationality related to MNCs: you can globalize capital, globalize strategy, globalize brands, globalize management, but people en masse, the masses of unskilled, semi-skilled and skilled labour, are very far from being globalized. Indeed, one of the main functions of wealthy nation-states in the modern world is to keep out would-be migrant workers from poorer countries; the EC has inherited this as an important raison d’être. The nationality of the workforce, often clear enough in itself, is not as important a determinant in the nationality of an MNC as it might seem, since the requirements of strategic
capital movements can leave the workforce abandoned by the corporation, jobless, while their jobs move elsewhere, to another country or continent. Management that shares a nationality with its workforce can find itself conscience-stricken in this matter (as, for example, Pilkington, when faced with the need to move major investments away from the home base in St Helens). Subsidiaries move with less loyalty, less guilt (see, for example, Hood and Young 1982, on movement out of Scotland by MNCs whose home base was elsewhere, primarily in the USA).

Shareholders. As world capital markets become increasingly homogeneous, the nationality of shareholders is of diminishing importance. There are, however, still major differences in corporate ownership, and in the exercise of the privileges of ownership, between the major capital markets: Germany and Japan, for example, have corporate ownership models which tend to be less open to shareholder control (and foreign takeover) than the US and the UK. As long as differences in this lead to differences in corporate responsibility and control, then the 'nationality' of shareholders will be of some importance.

Capital. The issue of the 'nationality' of capital is related to that of the nationality of shareholders. If securities are traded internationally within a homogeneous legislative environment, then nationality of shareholders will probably cease to be an issue. Where, however, there are barriers to trading, and perhaps associated differentials in the cost of capital, and in the rewards accruing to shareholders (as between, say, the UK and Japan), then capital will continue to have a 'national' profile.

Products. Brand names will continue to have a strong 'national' feel, however multinational the company that wields them; 'nationality', indeed, is part of their power to persuade: Coca-Cola made in a new plant in Poland remains an 'American' product, in the eyes of most Poles that buy it; Nissan cars made in north-east England continue to strike the European consumer as 'Japanese' cars; and so on.

Of course, the perception that capital has a nationality, depends to a great extent upon the sense that a company has a nationality. A company might be seen to be, say, a US company, and its activities abroad resented on nationalist grounds (in the Servan-Schreiber tradition), even though its shareholders, the ultimate beneficiaries of its activities, might be genuinely cosmopolitan, with a majority of non-US shareholders.

Capital, the Community Frontier, and Poland

1992 was the year in which, ideally, barriers to capital movements between the different countries of the community were removed. There will doubtless, however, be a residual sense of the 'nationality' of European companies: Volkswagen will still look German, Bodyshop still British, Pirelli still Italian, Rhone-Poulenc still French. What consequences this will have, in post-1992 Europe, is debatable. Perhaps the effect will dwindle.

The different countries of the European Union vary greatly in the extent to which they are home and host country to foreign investment, and in the direction and source of these investments. The UK and the Netherlands, for example, are, in this sense, international and intercontinental economies; Germany by contrast, has a much lower level of both inward and outward investment. In general, EU countries (the UK and the Netherlands excepted) have tended to target their foreign investments at neighbouring countries (for example, Germany in France, France in Italy, Spain in Portugal). If the EU starts to consider itself as truly a single economic unit, then all of this intra-EU investment might see itself reclassified as 'domestic' rather than 'foreign', which would radically change the appearance of international investment flows. The EU, taken as a whole, would remain a major source of investment to those countries outside it; it remains to be seen whether capital deriving from the EU will continue to have a separate national profile depending on its country of origin, or whether the EU, in its role as a unified economic power, will be perceived en bloc by countries hosting its investments. There are trends moving in different directions here: attempts by the OECD countries to build multilateral rules on investment measures into the Uruguay round of GATT negotiations might suggest a weakening of 'financial nationality'; the failure (at least in the short term) of attempts to move towards European monetary union, on the other hand, suggests that European money is going to have various 'nationalities' for longer than some might have expected.

As far as capital coming into the EU is concerned, it seems likely that the major 'identity' issue, in the short term, will continue to be Japanese investment. Few of the immediate geographical neighbours of the EC are of sufficient economic stature to engage in substantial outward investment. US investment in Europe has been naturalized to a great degree, at least in perceptual terms (and
most particularly in the UK); it has also come to be balanced by large-scale European investment in the USA (most particularly by the UK). Very-large-scale investment by the newly industrialized countries of South-East Asia may be a problem for the future, but is for the moment of a scale unlikely to attract popular attention. Latin America, seen as a potentially major source of outward investment in the late 1970s, has so many internal economic problems that it is unlikely, in the short term, to figure in the equations.

For outgoing capital, the problems are somewhat different. Europe has long been a major source of outward investment, and will probably continue to be so. Some of the most acute ‘identity’ issues will probably occur in relation to investment in Eastern and Central Europe. The confrontation of German and Slav has had a long and sometimes bitter history (see Czubinski and Pajewski 1987; Burleigh 1988; Sugar and Lederer, 1969); it is a confrontation which has been strongly economically marked for most of the last two hundred years – by relative prosperity, through differential political rights, by occupational differences, by the Capitalist-Communist divide, and now by the frontier of the European Community, with its tacit line between the ‘haves’ and the ‘have-nots’.

Parts of Poland and Czechoslovakia were, industrially, areas of economic conflict, as the victors of the 1914–18 war attempted to consolidate their positions, and Germany attempted to rebuild its strength (see, in general, Teichova and Cottrell 1983; Overy 1983). The post-war frontiers of 1918 and thereafter had left large numbers of ‘ethnic’ Germans in Poland and Czechoslovakia, and there was sometimes conflict between these and the Slav majorities (see, for example, Chalasinski 1935 on Polish–German conflict in Silesia).

Poland in the inter-war period had within it high levels of foreign capital. Poland’s debts to foreign countries at this time were also large, and principally owed to the USA and France. It was the active participation of foreign capital which figured most large in the imagination, and here Germany was an important, and of course geographically immediate, player. The level of German capital fell in the years immediately before the outbreak of war in 1939. It rose, however, during the war years, through expropriation and new investment, to dominant proportions. Major German ‘multinationals’, including IG Farben, came to dominate industry in German-occupied Poland. The ‘Reichswerke Herman-Goering’ behaved, indeed, during this period, like the exploitative multinational of radical nightmares (see Overy 1983). It is perhaps not surprising, in view of this, that when post-war Polish historians have looked back to the inter-war period, they have tended to stress the level of German investment, and its malign effects.*

One of the highest levels of participation of German capital in the Polish economy was in joint-stock companies; on the 1st January 1935 it was at 19.8% of the total (compared with France, 25.6%; USA, 21.9%); [...]. while on 1st January 1938 it was 13.2% (French, 26.1%, USA, 18.6%). Admittedly this level fell in the years before the outbreak of war, as did the U.S. level, but Germany retained its third position amongst contributors of capital to Polish joint-stock companies. The high level of German capital in the Polish inter-war economy made possible the fulfilment of important tasks – economic, but also political. (Luczak 1988: 232)

Wellisz referred to ‘insufficient capitalization: the main cause of Poland’s delayed economic development’ (Wellisz 1938: 19), and this is echoed by Teichova and Cottrell, referring to: ‘the constant scarcity of capital in this region during the inter-war period. The largest companies in the mostly highly concentrated industries of East–Central Europe were generally either wholly or partially owned subsidiaries of Western European multi-national enterprises’ (Teichova and Cottrell 1983: 45).

The importance of Silesia to the Central European economy, its importance to Poland, the importance of German capital within Silesia, and the constantly vexed question of international boundaries within Silesia, perhaps together explain why German capital, above all, seemed intrusive. US, French and British capital was in Central Europe to make a profit; it was not without links to foreign policy, but it was not primarily an instrument of this. Under the Third Reich, however, German economic and political aims were pursued with the same instruments, and became indivisible (Overy 1983: 269). The German ownership of capital not only permitted the

---

7. Wellisz gave the following figures, for 1 January 1933 (in millions of zlotys; only the five major capital providers are cited): France, 626; Germany, 411; USA, 384; Belgium, 176; Great Britain, 160.

8. Translations from the Polish, here and throughout, are my own.
pursuit of essentially geopolitical ends; it also permitted discrimination against Polish and in favour of German workers (see Chalasinski 1935; also Makowski 1987).

A major work on the Polish economy written during the Communist period gave a lengthy diagnosis of Poland's inter-war economic problems. Of all these, however, two are picked out as being of particular consequence in explaining:

why Poland, as one of the largest capitalist countries in the European continent for 20 years, did not experience growth, by contrast to other developing countries whose economies met objective difficulties that were no less important. It is clear, that from among many reasons, the most important are the failure to realize radical reform of agriculture, and the dependence of the Polish economy on foreign capital. (Kostrowicka et al. 1975: 376)

The stress on the malign effects of foreign capital is made even stronger in a further passage:

Foreign capital exerted an exceptionally negative influence on the life of the Polish economy. Not believing in the permanence of the Polish state, it aimed to make profits, and to remove as much of these as possible from the Polish territory where they were made. In other countries, foreign capital left behind accumulated profits, to build new industries, to provide banks with credit, and so on; in Poland, a large part of profits went abroad. In this way the national economy was deprived of the means to develop its industry, to intensify agricultural production, and of credit. Foreign capital exported from Poland a large part of the national income, which normally would have gone into productive investment. (ibid.: 377)

The argument about foreign capital is echoed by Kolankiewicz: Foreign domination of share capital amounted to 40% and the export of earnings from this investment was calculated to be equivalent to the total state investment budget during these years.


The war brought death and destruction to Poland, much of it firmly related to German activities. In the Communist period which followed, foreign capital was not permitted. Its prior malign effects were interpreted within the communist and socialist discourse, within which it was axiomatic that 'international capital' was a force of oppression.

In the period following the collapse of Communist authority in Poland, however, it has become clear that if pro-capitalist economic reforms are to succeed, if large-scale privatization is to be made to work, there is a grave need of capital, and of Western expertise; the likely sources of this are outside Poland; the most likely source is Germany. The initial expectations of a large-scale movement of capital into a 'reformed' Eastern Europe have not so far been fulfilled. The euphoria and optimism of December 1989 have evaporated. In as much as there have been capital movements, however, German capital has been predominant. The detail would
many investment opportunities that the rest of the world offers. Many in developing countries have voiced the fear that, in a world of capital shortage, Eastern Europe would attract capital that would otherwise have come their way. This has probably happened to some extent. At the same time, however, Eastern Europe must compete with the rest of the world for incoming capital, and the special relationship with 'Europe' will only protect it to a limited degree from this competition.

What nationality will European capital have? It is in the spirit of 1992 that capital from European nations will go where in Europe it likes, and will lose its nationality. It is in keeping with some trends in the overall world economy that capital in general will lose its 'national' stamp. There are conservative and opposing forces to both these novelties, however, as we have seen. What will 'German' capital look like in Poland? Given the history, and the foreknowledge that the two peoples bring to the problem, it will almost certainly look 'German' rather than 'European'. If it looks German, how will it be viewed? Not, perhaps, without disquiet, given the history: 'The prospect of German economic domination is still viewed with horror in many quarters, especially in Poland' (Goodhart 1990); "Our people are afraid of foreign investment, particularly German," says [Andrzej] Zawislak, who chaired Poland's privatization committee in parliament' (Celier 1990).

If the Communist period is to be sloughed off, a bad dream, then the models of the inter-war and war periods leap to mind as models. From a Polish point of view, looking once again to the west, the memory is far from satisfactory. Much investment in Poland has come from German companies, clearly identifiable as such; the trend is likely to continue. Poland is a natural location for investment in manufacturing subsidiaries that can benefit from Poland's workforce, at the moment both highly skilled and cheap. The argument about whether the employment of low-cost labour constitutes 'exploitation', or simply the best use of comparative advantage, will inevitably surface.11 However global the capital or global the firm, the north-eastern commercial frontier of the European Community is going to look like an engagement of Germany and Poland, with the latter once again getting the worst

---

11. The engagement of German companies in Poland has been compared to that of US companies in Mexico, where the low-wage manipulators have caused such controversy. The analogy is interesting and the issue potentially inflammatory (see Eastern European Business Handbook, 1993, p. 9).
German-Polish form. At the time of writing, the Polish governing coalition has broken up over the question of speed of reform; adherence to IMF rules on the one hand, conservative forces in parliament on the other, and a mêlée of small parties, have made government impossible without a further election, held under stricter rules concerning the minimum vote required to secure representation in parliament. The reform process is still supported, so it seems, by a majority in Poland; but reform has been far more painful, and far more lengthy, than many once hoped: this will be reflected at the polls.12

The discourse of 'economic nationalism', with a stress on the virtues of protectionism, has been argued to have been of benefit to Poland in the inter-war period (Kofman 1992). There have already been clear signs of anti-foreign-capital right-wing politics in Poland, and this is a theme which will probably continue to have force.

Conclusion

Capital movements, trade barriers, protectionism, the 'nationality' of companies and capital: these are not commonly considered in anthropological reflections on identity. The many elements that constitute Europanness in the minds of those that think themselves European — culture, religion, civilization, development, wealth, tradition, language, whatever — are not the stuff of trade agreements. The EC frontier, however, is made out of elements from both of these areas of action and perception. It would be futile to try to argue which was the more important, for they interact, forming a particularly potent combination of technicality and sentiment — a combination which is the current frontier of the EC, life-enhancing for those inside it, forbidding and perhaps damaging for those not so privileged.

In relation to the activities of MNCs, and their place in the EU, it might be noted that many MNCs, not only European but also from the US and Japan, have already made their dispositions in Europe. There have been innumerable mergers, acquisitions, and new investments, in anticipation of the single market. The Financial Times

12. The question of the accession of Poland, and other countries, to the EU, needs to be considered. If Poland were inside rather than outside, as many in Poland wish (see, for example, Gronkowski-Walcz, H. 1994), then issues of foreign investment, and relative prosperity, might come to be both truly different, and differently perceived.
recently quoted a German chief executive as follows: ‘However, Mr Heinz Schimmelbusch, chief executive of Metallgesellschaft, the large German mining and industrial group, who said big European companies were already acting as if the Maastricht treaty had been implemented, stated: “This strategy has created a reality in European corporate life which will not be changed by Danish voters.” (Financial Times, 4/6/1992, p. 5). Much of the recent British concern about loss of sovereignty arising from the Maastricht agreement, for example, might be regarded as already too late; major companies are involved in a web of investment and strategic alliance which has already, to a great degree, discounted the importance of national frontiers.

References


Focus, GATT Newsletter, no. 104, December 1993, Geneva: GATT.


Chapter 12

The Spanish Experience and Its Implications for a Citizen’s Europe*

Soledad García

Citizens – said Aristotle – ‘are all who share in the civic life of ruling and being ruled in turn’. Since the old Greek republican experience of city democracy, the effects of two Revolutions and a declaration of human rights by the United Nations have modified considerably our conception of what a modern citizen should be. Today we think of citizenship in relation to ‘national identity’, ‘sovereignty’, ‘community’, ‘participation’, ‘entitlements’ and to some extent ‘equality’. The common denominator of these issues is that they all refer to the experiences of ‘exclusion’ and ‘inclusion’.

If we consider the exercise of citizenship as a process and not as a final aim we may see that, throughout history, citizenship has been an arena for discussing who has the right to be ‘in’ and who does not. We may agree with the view that in modern societies the proportion of those who are ‘in’ has increased, but that there is still uneasiness and potential conflict caused by those who remain ‘out’ of their several institutional social arrangements.

Citizenship has gained momentum in particular historical periods. In modern Europe we can recall 1789, the 1880s and 1890s, the 1950s and 1989 as significant years. The current expansion of citizens’ rights is particularly interesting because it occurs in a situation of the convergence of several previously disparate historical experiences. On the one hand, modern welfare societies are experiencing what has been characterized as a ‘retrenchment’ of welfare policies and principles, generating different classes of citizens and bringing back the question of entitlements. On the other

---

* This paper was written while I was a fellow at St. Antony’s College, Oxford.