

The Multinational Traders. *Edited by Geoffrey Jones*. London: Routledge, 1998. xiv + 236 pp. Figures, tables, notes bibliographies, index. Cloth, \$110. ISBN 0-415-18002- 3.

Reviewed by Ray Barrell

The literature on multinational corporations from business schools and the economic profession is dominated by views associated with internationalization and the product cycle. Firms innovate, producing new products. They expand their markets at home until they are saturated and then expand abroad, at first by imports and then by direct production, which is thought to be best controlled by the parent company in the form of foreign direct investment (FDI). This view of FDI is persuasive but at best partial, and the present collection edited by Geoffrey Jones indirectly, but firmly and successfully, challenges it.

The essays were produced for a focused, scholarly conference at Reading University in 1997, and the collection offers an intelligent, wide-ranging view of an alternative perspective of how multinational enterprises are formed: by multinational traders, who are as distinct from the product cycle as it is possible to be. The conferees drew examples from twentieth-century experience in the United Kingdom, France, Germany, the Netherlands, Switzerland, Sweden, and especially Japan. The companies they studied set up managerial functions in their home countries in order to manage foreign trade. Such companies have frequently played a significant role in international trade, and they have been major foreign investors. They have also generally shown themselves to be flexible and innovative.

The core function of such companies is to manage information, for instance, about foreign countries. In Japan, to take one example, the Meiji restoration in 1868 and the opening of the economy to the rest of the world was accomplished despite the reality that the Japanese had little knowledge of foreign matters or languages. This achievement that was facilitated by large specialist trading companies, the *sogo soshu*, which specialized in foreign contacts. The three chapters by Ken'ichi Yasumuro, Tom Roehl, and Jean-François Hennart and Georgine M. Kryda examine how these companies expanded Japanese trade and internationalized Japanese business. They have been a major source of FDI—for example, they handled more than 80 percent of exports and imports in the 1960s—and they continue to be so today. These nine (or ten) companies are critical to the supply chain for industrial sector within Japan, and they have

diversified into supply-related manufacturing in foreign countries as the nature of Japanese industry has changed and matured.

The role of British traders in the nineteenth and twentieth centuries is particularly interesting, as the two chapters by J. Forbes Munro and by Robert Greenhill and Rory Miller show. The United Kingdom gained a dominant place in international production and trade during the first part of the nineteenth century, but because exporting firms were often ignorant of markets, especially outside of Europe and the existing and former colonial territories, they engaged in agency relations with specialist traders. Firms like Jardine Matheson in East Asia, MacKinnon's in India, and their equivalents in South America helped to establish British dominance, and the contacts they established gave them a comparative advantage in setting up trade and manufacturing in their spheres. Some of these firms have survived as major players; others, especially those in Latin America, declined after the Second War, according to Greenhill and Miller in their chapter on British trading companies.

The U.K. example suggests that trade and empire encouraged the growth of the multinational traders. Certainly, as Helene d'Almeida-Topor shows, this was true of the French traders, and, according to Keetie E. Sluyterman, it applied to the Dutch traders as well. The activities of the latter, however, declined significantly after the Sukarno government nationalized their Indonesian activities in the 1950s, although they have continued to operate elsewhere on a lesser scale. On the other hand, Sweden produced traders with strong FDI, proving as Hans de Geer shows, that the backing of empire was not strictly necessary.

Trade in metals was often the basis for FDI in the twentieth century, and it led to foreign manufacturing as well. The establishment of markets and contacts created opportunities, and successful entrepreneurial firms exploited them. Much of trade is based on trust as well as contract, and the Swiss commodity traders who emerged in force in the post-World War II war era, as chronicled by Sébastien Guex, owe their success in part to the nature of the contract in their home country. In general, one can say that multinational traders base their business on their knowledge of markets and the ability to enforce contracts through the courts. This latter course of action may not be available to individual manufacturers. This is the common form of FDI in the United States, and it has dominated the academic economics literature but not the pattern of FDI we observe in the world.

The product cycle view of FDI is essentially eclectic, and it has been taken to imply that the study of FDI has no firm theoretical foundation. The application to FDI of the theorems of the new economic geography has helped us to understand the importance of information management. In many ways, this is the application of the theory of the multiplant firm in a spatial

context, rather than an analysis of patterns of FDI. Mark Casson's synthesis of approaches to multinational traders makes it clear that theories of FDI should draw at least as heavily from analyses of entrepreneurship as from those of product cycles. His essay is a particularly instructive guide to understanding why firm become multinationals.

Geoffrey Jones has put together an interesting collection of essays that deserves to be included in any serious research library, in the collections of scholars of business history, and in related areas of economics.

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