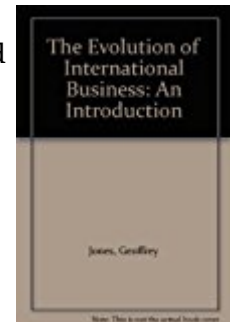


Geoffrey Jones. *The Evolution of International Business: An Introduction.* London and New York: Routledge, 1996. xii + 360 pp. \$93.95, cloth, ISBN 978-0-415-10775-4.



Reviewed by Graham D. Taylor

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During the 1960s multinational enterprises emerged as a focus of interest (and much controversy) both for economists and for the general public. Much of the literature of that era (leaving aside the important pioneering works of Raymond Vernon, Charles Kindleberger, and John Dunning) provided a very time-bound perspective on this phenomenon. Economists tended to treat multinationals as byproducts of post-World War II international financial integration and improvements in communications and transport technologies. To the broader public, in the United States and elsewhere, they were associated with U.S. economic expansion and indeed were perceived as reflecting a particularly "American" form of business organization.

Since that era, the international economy has changed dramatically: multinational enterprises became truly "multinational" as East Asian and European firms expanded (or, perhaps more properly in many instances, reappeared) in global markets and new cross-national "strategic partnerships" of firms emerged. During the same period, the historiography of multinational enterprise

was vastly enriched by scholars such as Mira Wilkins, D. K. Fieldhouse, Peter Hertner, Shin'ichi Yonekawa, and many others, who not only probed well into the pre-twentieth-century origins of multinational activities, but also linked their work with broader reinterpretations of the dynamics of business evolution and organization.

Geoffrey Jones has been very much a part of that international community of scholarship on multinationals, and in this book he has undertaken to synthesize that literature. Jones far too modestly designates the study as a "text book" or "introductory survey." It is in fact a substantial contribution to our understanding of the historical significance of multinational business, broadly defined to encompass more than the conventional category of "foreign direct investment" (FDI). His book provides a needed overview of the global dimensions of this phenomenon and a coherent framework for analysis of major historical trends and central issues emerging from the literature.

Jones's study opens with a review of the major interpretive approaches to analyzing multinationals, including concepts of ownership advan-

tage, internalization/transaction cost, and Dunning's "eclectic model," all of which are well integrated into the historical chapters that follow. He also links the study of multinational evolution to the themes of organizational development associated with Alfred Chandler and the literature on the firm and national competitiveness.

This section is followed by a general overview of the major trends in multinational operations since the mid-nineteenth century, highlighting the distinctiveness of different periods in that evolution (1880-1914; the interwar period; the 1940s to 1960s; and the period since 1971). This periodization indicates both the continuities of growth of international business and the volatility of that history, reflecting shifts in external factors ("the business environment," encompassing the impact of wars, shifts in global trade and monetary arrangements, nationalizations and other governmental regulatory measures) and consequent changes in the strategies of firms.

The next chapters review the role of multinationals in specific industrial sectors: natural resources, manufacturing and services. There is a certain degree of repetition in these sections, as Jones works through each period for the different sectors. But it is also clear that very different patterns can be discerned in the forms and motivations underlying international direct investment in each sector, as well as in the internal dynamics of firm organization, relations among firms, and between multinationals and governments.

The final chapters focus on particular issues that have emerged in the literature. These include: the variations among nations and cultures in the propensity of their business enterprises to engage in foreign investment; the relationship between foreign direct investment and economic development, in terms of both home economies (of the multinationals) and host economies; and the relationships of multinationals and governments.

Despite its relative brevity, this is a dense book that covers a wide range of topics relating to

the history and theory of multinational business, each in a balanced but succinct manner. Consequently, it would be an oversimplification to suggest that it embraces a particular set of themes or line of argument. But there are certain general characteristics of the history that emerge from the study.

From the late nineteenth to well into the twentieth century, most foreign direct investment was focused on the development of natural resources, with some spinoff growth of ancillary services. Latin America and Asia were particularly notable recipients of this investment. FDI in manufacturing expanded slowly through the early twentieth century and more dramatically in the period after World War II, and the geographic center for such investment shifted to Western Europe. This trend in turn was overtaken by developments in the service sector (particularly in finance) in the past two decades, with East Asia and Western Europe, along with the United States, as major areas of investment activity.

Although there have been periods of single-country dominance in outward investment (the United Kingdom between the 1880s and 1914, and the United States in the 1950s and 1960s), perhaps more significant has been the consistent growth of multinational operations over the past century. As noted earlier, Jones's approach embraces a range of international business activities. During the pre-World War I era, investment flows were tied to some extent to the "imperial" territories of various European nations (with regions such as Latin America becoming a battleground for European and American investors), and occurred through a peculiar (and primarily British) form called "free-standing companies" (local enterprises owned by foreign syndicates) as well as the more familiar home-and-branch operations.

In the interwar period, as national governments imposed a variety of constraints on international trade and capital flows, international cartels flourished, in part as a means of circum-

venting them. In the period since the 1970s, a new form of "strategic partnership" among firms of different nationalities has emerged, reflecting both the diverse origins of enterprises in global markets and the effects of financial integration coupled with the growth of regional trade blocs. In each era multinational businesses have altered their forms of operation to suit contemporary conditions, while sustaining a general trend toward growth and integration.

The strength of the book lies in its coherence, its ability to provide a clear framework for a complex process of development over a fairly long time-span. Some of this coherence might have been lost had Jones extended his analysis even further back in time, but it might have been a useful exercise to provide a broader historical perspective on the evolution of international business (as opposed to the evolution of multinational enterprise). Jones does devote a section of his chapter on "Multinationals and Services" to a discussion of the large international trading companies of the seventeenth and eighteenth centuries; but generally he focuses on the period after 1880, with an emphasis on improvements in technology (enhancing the internal management of firms in international markets) and financial integration, accompanied by nationalistic trade policies, in shaping a business environment congenial to multinationals.

But, as studies by Larry Neal (on international capital markets), James Tracy and Jonathan Israel (on the Dutch and British "merchant empires"), and Ann Carlos and Steve Nicholas (on the internal organization of trade companies) indicate, by the eighteenth century the international economy had developed strong financial and logistical links, and businesses such as the Hudson's Bay Company and the East India companies were developing mechanisms for internal communication and management.

Jones's chapter on multinationals and natural resources understandably gives pride of place to

the "nonrenewable" resource sector (mining and petroleum) and does not ignore the "renewable" area. But a review of multinationals in the forest products industry could reinforce some of the points he makes in other contexts. As a capital-intensive industry, forest products (especially pulp and paper) has been a field with a number of multinational actors, such as the British firm Bowater, the Swedish Stora, the U.S. Weyerhaeuser, and Canada's MacMillan-Bloedel. The intricate links between publishing companies and paper manufacturers in international markets provide another interesting feature of this industry, ranging from direct-investment ventures (such as the *Chicago Tribune's* Canadian pulp-mills) to Bowater's "strategic partnerships" in the 1920s-1940s (not without endless friction) with the British newspaper barons, Rothermere and Beaverbrook, to exploit the forestry resources of North America.

These are minor caveats, however, and do not detract from the general quality and significance of Jones's study. As noted earlier, the book represents a well-organized synthesis of the state of the historiography of international business today, which at the same time can provide a basis for future research in the field, by identifying major lines of argument and the areas of uncertainty and controversy that still must be addressed.

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