

Ford, Dow, The Hague

An analysis of the power relations between the multinationals Ford and Dow Chemical, and
the Dutch national government between 1949 and the mid-1980s

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Introduction

International business has known periods of great success and some more modest times, but has always played a very important part in connecting people throughout the world. In the nineteenth century the world economy became global for the first time. This was partly caused by technological advances like the telegraph, and the fast and relatively cheap steamship, but also very much because of the enormous industrial growth that characterized the nineteenth century. Multinationals – a definition will be given later – increased their investments in the colonial world to satisfy their needs for raw materials, markets and foodstuffs. Manufacturing companies even opened up production facilities in the colonies. These investments in the colonial world were made possible because the colonial governments provided stability in these underdeveloped regions.¹

Many components which had contributed to the global economy, vanished during and after the First World War. During this war, inflation was high and the Gold Standard suspended. This – and nationalism – resulted in governments introducing restrictions on foreign ownership, exchange controls, and other trade barriers. From the 1920s onwards, these measures had a severe effect on the international mobility of goods and capital. Moreover, governments increased control on the flow of people by means of visa.²

These developments progressed and gained strength during the tough years of the 1930s, and continued after the war – although in a more moderate form – until the 1970s. Amongst others, this had the effect of multinationals creating much more autonomous subsidiaries abroad, to avoid trade barriers and exchange controls. These largely autonomous affiliates also tried to create a strong local identity, because of strong nationalism in the host country.³

Revolutions, communism, and decolonization severely increased the risks and costs of doing business in the non-Western world, or even made it impossible. Therefore, multinationals chose to invest much more in the familiar Western countries between 1914 and the 1970s. This was not only a matter of choice, as many former colonial host countries became increasingly hostile towards – Western – multinationals. These governments viewed

¹ Geoffrey Jones, *Multinationals and Global Capitalism. From the Nineteenth to the Twenty-First Century* (Cambridge, Mass. 2005) 285-286.

² Jones, *Multinationals and Global Capitalism*, 286.

³ Jones, *Multinationals and Global Capitalism*, 286-287.

the international businesses as exploiters, from whose presence little could be gained by the country and its population.⁴

The revival of the global economy was set in motion in the decades following the Second World War, as financial markets started to integrate again. Multinationals from the United States especially invested a lot abroad, mainly in Western Europe. However, the integration of the world economy was far from its level of before 1914. The world economy was really a collection of regional economies, not an actual global one.⁵

From the 1970s onwards, the globalization process picked up a faster pace. Technological improvements in both transport and communication offered multinationals the opportunities to move production to low wage economies. Moreover, in the 1980s many countries – both developed and developing – liberalized and deregulated their economies and financial markets. This opened up many new possibilities for multinationals.⁶ It is also interesting to note that in this second wave of globalization, foreign direct investments (FDI) intensified again, but not in the *laissez-faire* way of the late nineteenth- and early twentieth century. Governments still tried to influence multinationals – like they had done in the interwar period by means of trade barriers and exchange controls – only now also increasingly in positive ways, by means of subsidies.⁷

Throughout all this fascinating turmoil of an ever changing world economy, with periods of openness and protectionism, one thing particularly interests me: the power relation between governments and multinationals. Governments and multinationals have a complicated relationship because of two reasons: firstly, business (both international and domestic) and governments always struggle for power. Both try to pursue their interests – whatever these might be – and sometimes clash with each other in this process. Secondly, as multinationals also come from another country, they pose an even larger threat to the sovereignty of the host government, because they have a different nationality and might acquire a powerful position in the host country. Especially if the multinational's country of

⁴ Jones, *Multinationals and Global Capitalism*, 286-287.

⁵ Jones, *Multinationals and Global Capitalism*, 287-288.

⁶ Jones, *Multinationals and Global Capitalism*, 288.

⁷ Jones, *Multinationals and Global Capitalism*, 203 and 208.

origin is a nation with which the host country competes, this situation might be perceived as being rather dangerous.⁸

Theoretical concepts

It might be quite helpful to elaborate on some theoretical concepts and terms that will be used extensively throughout this thesis. The most important ones are multinational, foreign direct investment, national government, and power relation.

There are many works dedicated to multinationals, in which the respective authors often give their opinion about what the term exactly encompasses. These definitions can vary. In this thesis the term multinational will be used in a very broad fashion, as described by Geoffrey Jones: ‘A multinational is a firm that controls operations or income-generating assets in more than one country.’⁹ Furthermore, he explains that multinationals have a so-called home economy, that is where they are owned, and a host economy, where they subsequently invest. Jones also stresses that when a firm simply exports goods – and if that is its only international activity – then such a company is not a multinational.¹⁰

There are two types of international investments possible for a multinational. When an individual or institution buys foreign securities without any management control, such an acquisition is called a portfolio investment. The second type – and the one which is most relevant for this thesis – is foreign direct investment, which involves both owning and controlling assets, and thus management control.¹¹

There are a number of ways in which multinationals can invest abroad. The first one is a greenfield investment. In this case an entirely new operation is started in a host country. A company can also acquire an existing firm in the host country, this is, however, still an example of a wholly owned subsidiary. Companies can also share ownership through a joint venture. Moreover, there are a number of other possibilities in which equity is not involved. One is licensing, when two independent firms sign a contract in which they agree to transfer resources, rights, and technologies. Another is franchise, when one company awards ‘another company the right to do business in a certain way over a certain period of time in a specified

⁸ Jack N. Behrman and Robert E. Grosse, *International Business and Governments: Issues and Institutions* (Chapel Hill, North Carolina and Miami 1990) 1.

⁹ Jones, *Multinationals and Global Capitalism*, 5.

¹⁰ Jones, *Multinationals and Global Capitalism*, 5.

¹¹ Jones, *Multinationals and Global Capitalism*, 5.

place.¹² Then there are also cartels, which means that two independent firms make agreements on the maintaining of prices on a certain level or to put limitations on output. The last example of a non-equity arrangement is a strategic alliance, in which arrangements are made between firms about sharing certain facilities or to collaborate in the development of new products.¹³

Although the description of Jones is very clear, I would like to add the opinion of one other author. Peter Drucker thinks there is a difference between multinational companies and transnational companies. A multinational is a company that goes abroad and creates (smaller) copies of itself in the host country. These subsidiaries can more or less stand on their own in the host country. However, Drucker argues that there has been a development towards transnational companies. In these enterprises, not every subsidiary in every host country has production, management, marketing, and research and development departments. These parts of the company are often based in only one country and from there they take care of the entire global enterprise. Only legal affairs, public relations, services, and sales are locally organized and thus present in every host country. As transnational companies care less about national borders than multinationals do, they can decrease the power of national governments. Therefore, Drucker's distinction is interesting and quite useful in assessing the power relation between international business and national governments in the past decades, when this phenomenon first emerged.¹⁴

The emergence of transnational companies has been intertwined with the global economic (re-)integration that has been visible since approximately the fall of the Bretton Woods system in the early 1970s. Whether that process is to be called economic globalization, remains an issue of intense debate. When scholars even agree that the name is right, they tend to disagree about whether it is actually a new phenomenon, and if it has weakened national governments – and to what extent. I will call the global economic (re-)integration of the 1970s economic globalization. It was not an entirely new phenomenon, as it also occurred in the late nineteenth century, but the considerable effect it had on territoriality and the autonomy of national governments was different than before. This latter issue will be thoroughly discussed in the first chapter. For now, it is particularly important to

¹² Jones, *Multinationals and Global Capitalism*, 5.

¹³ Jones, *Multinationals and Global Capitalism*, 5.

¹⁴ Peter F. Drucker, 'The global economy and the nation-state', *Foreign Affairs* Vol. 76 No. 5 (1997) 159-171, there 167-168.

note that from the fall of the Bretton Woods system the world economy tended to converge compared to the period before it, and that this aided the development of transnational companies.¹⁵

Whenever the concepts “national government”, “government”, or “state” are used throughout this thesis, they will always mean the same thing. It will suffice to define these concepts very practically: all the states that are recognized by the United Nations, and thus have a seat in the General Assembly, are in this thesis to be called national governments, governments, or simply states. Furthermore, they all possess legal sovereignty under traditional international law to influence and coordinate economic affairs within their territory.¹⁶ That is ultimately what is most important for this research.

There is no clear-cut definition of the concept “power relation” between multinationals and national governments. However, it can be simply defined as the balance between what the interests of multinationals are, and what those of governments are, and whether both parties can offer each other the means to serve those interests. The stronger party is the one who has the most to offer, and has the fewest interests. Or simply ask: who can provide more, and needs less? To determine this, it is easiest to look at particular conflicts between multinationals and national governments. In these conflicts the stronger party is the one who is best able to achieve its objectives. It must be noted that often the interests of multinationals and host governments converge, or are at least non-conflicting. However, there are also numerous instances in which there are conflicts. In the methodology I will explain more elaborately why only conflicts will be studied.

Research question and sub-questions

There is a large difference between the ways in which developed and developing countries deal and have dealt with multinationals. In this research, I concentrate on the former. More specifically, the focus will be on the Netherlands, and how that country dealt with American multinationals. After World War Two the number of American multinationals that made foreign direct investments in the Netherlands increased tremendously. The small country became one of the most important places in the world for American multinationals to invest. One

¹⁵ David Held, Anthony G. McGrew, David Goldblatt, and Jonathan Perraton, *Global Transformations: Politics, Economics, and Culture* (Stanford, California 1999).

¹⁶ Antonio Cassese, *International Law* (Second edition; Oxford 2005) 48-55.

of the reasons why the Dutch government welcomed these companies was to fight unemployment. In these cases, multinationals were often able to receive favorable conditions.¹⁷ So it could be argued that in those instances the power relation was in favor of the multinationals. On the other hand, American multinationals were eager to settle in the Netherlands because of a high level of education, a good infrastructure, legal security, transparent politics, attractive taxes, and a commitment to free trade.¹⁸ The Netherlands thus had something to offer and to negotiate with. Therefore, it is not that easy to decide who had the upper hand in the power relation; American multinationals or the Dutch government.

Some companies were bigger and more powerful than others, and in some parts of the country extra employment was much more needed than in other parts. It would thus be very hard to present one general story about the power relation between American multinationals and the Dutch state. Therefore, a comparison between Ford, located in Amsterdam, and Dow Chemical, located in Terneuzen, offers an interesting research. The fact that their establishments were in such contrasting regions will provide some intriguing insights, especially in the role that different locations of companies can play in shaping the power relation between them and the national government. Furthermore, Ford Amsterdam (an automobile assembly factory) and Dow Chemical Terneuzen (a chemical production plant) are in such different sectors of the economy, that this will also add some interesting insights into the different power relations with the Dutch government.

As a starting date for my research, 1949 is a proper year, when the shares of Ford Netherlands were sold by Ford England to Ford Motor Company in the United States. The creation of the International Division in the United States also resulted in the European subsidiaries being managed from Detroit from 1949 onwards. From this point on, influence from the headquarters in the United States increased.¹⁹ As this research specifically focuses on American multinationals, 1949 therefore is a good starting point. The closing of the Ford factory in Amsterdam in December 1981 is a fine moment to end my research, as far as Ford is concerned.

¹⁷ Ben Wubs, 'US Multinationals in the Netherlands. Three cases: IBM, Dow Chemical, and Sara Lee', in: Hans Krabbendam, Cornelis A. van Minnen, Gilles Scott-Smith, *Four Centuries of Dutch-American Relations 1609-2009* (Amsterdam and Albany, New York 2009) 785-796, there 786.

¹⁸ Wubs, 'US Multinationals in the Netherlands. Three cases: IBM, Dow Chemical, and Sara Lee', 786.

¹⁹ Ferry de Goey, 'Ford in the Netherlands, 1903-2003. Global strategies and national interests', in: H. Bonin, Y. Lung en S. Tolliday (red.), *Ford. The European history 1903-2003* (Éditions P.L.A.G.E.; Paris 2003) Vol.2, 233-267, there 242.

Dow Chemical was not yet present in the Netherlands in 1949. The company first came to the Botlek, in the Rotterdam port, in the 1950s. Dow started its plant in Terneuzen in 1964, and that is when my research for this multinational starts. The best moment to end my research for Dow Chemical is the mid-1980s. This is the most appropriate benchmark because, as already described above, from the 1980s onwards many governments decided to liberalize and deregulate their economies. The Netherlands was no exception to this rule. One of the reasons why the Dutch decided to do this, was because unemployment rates were very high in the early 1980s, caused by the economic recession.²⁰

All in all this leads to the following research question: what was the nature of the power relations between the multinationals Ford and Dow Chemical, and the Dutch national government between 1949 and the mid-1980s? How can these power relations be explained and why were they different for Ford and Dow Chemical? The differences between the power relation between Ford and the government on the one hand, and the one between Dow Chemical and the government on the other hand, will be analyzed and explained. In this analysis, differences in location (Amsterdam and Terneuzen), sector of the economy (the automobile and chemical sector) and corporate strategy will provide interesting insights into how and why the power relations of the two companies developed in different ways.

The sub-questions that will be answered in order to come to my overall conclusions are:

- What can be said about the power relation between multinationals and national governments in general?
- How did Ford and Dow Chemical develop in the (Dutch) socio-economic context between 1945 and 1985?
- How distinct was the context for Ford and Dow Chemical when the differences in sector, location, and corporate strategy are taken into account?
- Which conflicts occurred between Ford and Dow Chemical, and the Dutch national government between 1949 and the mid-1980s? What can be derived from this about the two power relations? How can these relations – and particularly the differences between those of the two companies – be explained?

²⁰ Keetie E. Sluyterman, *Kerende kansen. Het Nederlandse bedrijfsleven in de twintigste eeuw* (Amsterdam 2003) 245-246.

Justification of research

Each research must be justified by serving some sort of cause. In the case of a master thesis, it most often does not lie in providing great new insights within a certain discipline. However, it is quite reasonable to expect that a master thesis will at least provide some new interpretations regarding its topic. This thesis will do that. Of course, there already is quite some knowledge available about both Ford and Dow Chemical in the Netherlands. Just as there already are a few things known about the ways politics and multinationals can be entangled in general. This thesis will therefore not contribute too much to those fields of research.

However, this research can certainly distinguish itself from others by means of linking the two mentioned fields of research and thus presenting a new interpretation. It will provide insights into the power relations between the Dutch government, and Ford and Dow Chemical, and why these relations were of that particular nature. In this way, it will actually add something new. As of now, there have not yet been many books or articles devoted solely to the power relation between two particular multinationals and one particular government. Without wanting to argue that it is a completely original idea, it is a road which has not been traveled too much.

The comparative approach of studying the power relations between the government and two multinationals in very different geographical locations, sectors, and with distinct corporate strategies, is also quite new. It is to be expected that by comparing Ford and Dow, some interesting results will come forward about how particular factors influence the bargaining position of the government vis-à-vis the multinational, and vice versa.

Primary sources

A number of archives have been visited for research. For Ford Netherlands I have looked at the annual reports from 1949 until 1958 and from 1965 until 1971 in the book depot of the University of Amsterdam. In the International Institute for Social History and the Dutch Economic History Archives – both are located in the same building in Amsterdam – I have been able to look into Ford Netherlands' annual reports from 1972 until 1984. In the International Institute for Social History as well, the archives of the works council of Ford are located, with some interesting documents. Moreover, some informative books written by people involved in the closure of the Ford factory in 1981 can be found in the Amsterdam City Archives. Another important archive for Ford are the National Archives in The Hague, where documents concerning a conflict in the 1950s are located. On top of all these, there also

is www.statengeneraaldigitaal.nl, a website with reports of parliamentary debates, parliamentary papers, and questions from parliament, some of which concern Ford.

For Dow Chemical the number of archives I have visited is much more limited. Not because there are fewer sources – on the contrary – but mainly because they are concentrated in the National Archives and the mentioned website www.statengeneraaldigitaal.nl. In the National Archives one conflict is particularly well documented: the draining of the mussel beds, on which I will elaborate in the fourth chapter. On the States-General website the other conflicts are documented by means of reports of parliamentary debates, parliamentary papers, and questions from parliament.

It is important to note that the number of cases that have been studied for Ford is very limited; only two have emerged. Nonetheless, the uncovered conflicts did occur at both the beginning and the end of my research period, which will make it easier to justify drawing conclusions from this limited number of cases.

The reasons I have not found many correspondence and conflicts between Ford and the Dutch government are twofold. Firstly, the management archives from Ford have been destroyed, or at least disappeared. Although I have made many attempts to find these – ranging from contacting the remaining sales office of Ford in Amsterdam, to the headquarters in Detroit, and the Ford Benson Research Center in the United States, to even contacting certain individuals who earlier did research into Ford – they have not appeared. Furthermore, the Dutch archives produced a very limited amount of information. The Amsterdam Chamber of Commerce and the American Chamber for Commerce in the Netherlands do not have any (relevant) information either.

A second reason is the fact that there probably were very few contacts between Ford and the Dutch government. This can not only be derived from the primary sources, but also from the secondary literature which does not mention many situations in which any kind of conflict seemed to have occurred, besides the ones that will be addressed in this thesis.

As far as Dow Chemical is concerned, the research progressed quite smoothly. Sources are abundant, certainly compared to Ford. The company in Terneuzen might therefore be overrepresented with four cases, but unfortunately there is little that can be done about this. It could be argued that such problems are likely to occur with any kind of comparative research. However, in my opinion, the difference in quantity has not led to a distinct quality between the studies of the two companies.

Methodology

To answer my research question – and thus all the sub-questions – I will first scrutinize the existing literature, especially for the first three sub-questions. Some primary sources, amongst others an interview, will already be used as well for those chapters. However, the primary sources will mainly be important to answer the fourth and final question.

The fourth chapter will address six cases. Two for Ford, four for Dow. Important to note is that all cases are concerned with conflicts or contradictory interests between the two multinationals and the Dutch government. For every case I will try to determine which party was best able to achieve its objectives. That particular party was then dominant in that case. It will not be a story of absolute winners and losers, nor of scandals. It will simply be an equation of the interests of both parties, and who was best able to get what they wanted out of a certain situation.

As noted before, relations between multinationals and governments are often quite good – certainly in the Netherlands. Most of the time, interests converge or are non-conflicting. The reason why I chose to look at conflicts nonetheless, was because it is my opinion that through studying a conflict or confrontation it is easiest to determine which party is stronger, and thus better able to achieve its objectives. By studying a number of these conflicts over a time span of a few decades, it should be feasible to discover a trend. Then it would also be possible to draw some broader conclusions about the power relations between the two companies and the Dutch state, and about the differences between those two power relations.

Historiography

When assessing the reaction of the Dutch government to Ford and Dow Chemical, it is useful to first introduce a much broader framework. Scholars have already done quite some research into the relationship between multinationals and national governments. This chapter will deal with ideas and theories about the power relation between multinationals and national governments in general – but particularly of developed countries – and how and why this relation has changed between 1945 and approximately today.

A short outline of the chapter might be of help. First of all, there will be a brief discussion about why multinationals invest in foreign countries, and why host countries allow or wish for such investments. Moreover, some recurring legal and practical problems in the relation between national governments and multinationals will be mentioned. Subsequently, there will be a very short history of multinationals' popularity with governments.

After this, the historiographical debate will start. In the historiography the existing ideas and theories about the power relation between multinationals and governments will be discussed. Furthermore, it will be explained how and why – according to the authors – this power relation has changed from 1945 until approximately today. In some cases the opinions of authors supplement each other. However, there also is an interesting debate. That is mainly about whether the different authors think multinationals or governments are more powerful. Some authors also combine this with a value judgment.

Multinationals' reasons for foreign direct investment; what governments have to offer

At first glance, investing in a foreign country would not seem the easiest way to make profits. There are many obstacles, such as a different language, a culture which does not resemble the culture of the home country, foreign currencies, another legal system, and a dissimilar climate – which can be quite important for technical corporations. These problems aside, the situation is made even more difficult because of competing businesses in the foreign country which are of course better adapted to their domestic surroundings. Then there is even another aspect which makes it unattractive for companies to go abroad: labor unions and public opinion in the home country. They often do not like the prospect of a company from their own country offering jobs in another part of the world – which inevitably means that these jobs are either

not offered in the home country or even lost. This kind of unrest can sometimes harm the name and reputation of the company and even lead to a decline in profit at home.²¹

Nonetheless, multinationals do engage in foreign direct investment. According to John H. Dunning – a very important British economist who did extensive research into multinationals and their international investments – the reasons why multinationals invest abroad can be summarized by the eclectic paradigm. This paradigm is also known as the OLI-model. The letters stand for ownership advantages, locational advantages and internalization advantages. Ownership advantages are specific competitive advantages of a multinational – like the owning of trademarks, particular production methods, technology, and other firm-specific skills – compared to other firms, and specifically to domestic firms of the host country. Internalization advantages in foreign direct investment are those which occur when a company will profit more from fully internalizing certain parts of the production chain, or from cooperating with another company – through licensing, a joint-venture or a strategic alliance – than it would profit from marketing them to foreign companies.²²

However, locational advantages are most relevant when explaining what host governments have to offer, as these can often be actively influenced by host governments.²³ What kind of incentives do foreign countries then offer to make it more attractive for businesses to set up facilities there, than to simply export their products? To begin with, there might be certain natural resources in that particular country which are not available at home – oil and gas are obvious, but by far not the only examples. In the cases of resources, one could ask why the host government does not grant a corporation from its own country permission to extract these. In most cases the foreign company has more expertise in the often very technical and therefore expensive extraction, like oil drilling.²⁴

There are many more reasons apart from natural resources why a company would go abroad, such as the costs involved in the supply chain – the path that leads from raw material to finished product ready to be purchased. For example, transport costs drop dramatically if a company is producing and selling its products in the same country or region, contrary to

²¹ Jeffrey A. Frieden, David A. Lake and Kenneth A. Schultz, *World politics. Interest, Interactions and Institutions* (New York 2010) 282-284.

²² John H. Dunning, *The Globalization of Business: the challenge of the 1990s* (London 1993) 81 and John Cantwell and Rajneesh Narula, 'Revisiting the eclectic paradigm: new developments and current issues', in: Idem, *International Business and the Eclectic Paradigm. Developing the OLI framework* (London 2003) 1-24, there 9-16.

²³ Dunning, *The Globalization of Business: the challenge of the 1990s*, 81.

²⁴ Frieden, *World politics*, 283.

exporting them from the other side of the world. Although this is not always true. Often a company which is, for example, based in the United States will produce its products in, for example, Vietnam, only to sell them in the United States again. This in fact increases transport costs, especially if the raw materials come from a third region.²⁵

This leads to another very important reason, one that even makes up for increased transportation costs: low wages and often less developed workplace regulations. Regimes that do not care too much about pollution and human rights are also quite popular with corporations.²⁶ However, these incentives are mostly true for third world countries, especially in the last three to four decades.

There are many more locational advantages. Very important is that when a company settles in a host country, it has much easier access to the consumer market of that country. It will, for example, avoid trade barriers and tariffs which it would face in the case of exports. Another obvious example are favorable tax rates. There is however a lot more than that. Legal security is also very important for companies; can they be sure of good patent laws, or can another company very easily steal their ideas without being punished by the law? Good property rights have to be present as well, and perhaps more important, the host government should always honor those rights. General security is another pressing thing. Low crime rates and a good police force prevent damages to company property. Good infrastructure can be very important, as well as a properly educated population, which does not need a lot of training in order to start working for the multinational. Furthermore, if a government offers a proper social security system, this often decreases social unrest. Moreover, a government can help to win the support of the population for capitalism and a free market ideology.²⁷

One last remark must be made. While a country can have advantages like tax cuts, it will not really acquire a very powerful position from this alone. Any country can offer tax cuts, low safety standards for workers and such. A country must make sure that a multinational needs that particular country, by offering things that cannot be found anywhere else. For example high education level and good infrastructure, but also something like

²⁵ Frieden, *World politics*, 283.

²⁶ Frieden, *World politics*, 283-284.

²⁷ Keetie E. Sluyterman and Ben Wubs, *Over grenzen. Multinationals en de Nederlandse markteconomie. Bedrijfsleven in Nederland in de twintigste eeuw* (Amsterdam 2009) 136 and 201.

geographical location – although this can of course not really be altered. This way the multinational really needs the country, and thus the country gains leverage and power.²⁸

Host countries' interests; what multinationals have to offer

Most governments have a positive stance towards multinationals these days. Even China and Vietnam – who officially still have communist or socialist governments – welcome foreign companies. This can be explained by the many ownership advantages that multinationals bring with them to host countries, and which might spill over, to the advantage of domestic firms.²⁹ There is for example the already mentioned factor of multinationals bringing in the (high) technology and properly educated personnel needed to access raw materials or minerals in poorer countries. The introduction of new technologies, managerial and organizational skills, and marketing techniques might very well contribute to the host country's economy, since domestic firms will learn a lot from these big multinationals. Moreover, some companies also train personnel from the host country, which has obvious advantages.³⁰

However, it is not always a positive story, since domestic companies might perceive the multinational's great power as unfair competition. The sheer size of certain multinationals sometimes means that their worldwide sales are larger than the gross national product of the host country. This might result in a lot of power for the multinational, especially when it accounts for more than one third of the country's exports, as was the case for Intel in Costa Rica. This in turn also makes the host economy very dependent on the welfare of the multinational. Furthermore, the population of host countries tend to doubt the intentions of the multinational. People often think the foreign company does not care about their social and cultural ideas or traditions.³¹

Despite all these objections, multinationals bring three very important things: the already mentioned technology, but also capital and employment. These last two factors especially were very important for the Dutch economy in the years after World War Two, when rebuilding the economy had the absolute priority.³² Moreover, many of the above

²⁸ Duncan Ross, *Interview*, March 14th 2011. See website Business History @ Erasmus: http://www.erim.eur.nl/ERIM/Research/Centres/Business_History/News/News_Detail?p_item_id=6818056&p_pg_id=93#axzz1OKZNirMx. Consulted on July 28th 2011.

²⁹ Cantwell and Narula, 'Revisiting the eclectic paradigm: new developments and current issues', 3.

³⁰ Frieden, *World politics*, 284-285.

³¹ Frieden, *World politics*, 284-285.

³² Sluyterman, *Kerende kansen*, 164.

mentioned objections were not very relevant in the Netherlands. The culture and traditions especially were not that different from the American ones – at least not like the differences American companies encounter in for example Muslim countries.

The relation between multinationals and host governments: recurring issues

Despite the fact that the power relation between multinationals and national governments largely revolves around the interests of both parties, and what they have to offer each other, there are three problems of a legal and practical nature, which have to be mentioned. These problems make the relation between the two parties more complex. Firstly, when discussing the relation between multinational companies and national governments there is the aspect of foreignness. This means that governments deal with companies whose control and ownership lie beyond the borders of the host country. No country has the jurisdiction to control the entire multinational. The multinational on the other hand, faces different jurisdictions which have their origins in different political systems. The problem of asymmetrical jurisdictions is often an important cause of tensions between multinationals and national governments.³³

The second problem is jurisdictional conflict, and subsequent extraterritoriality. A subsidiary of a multinational must always be responsive to the headquarters, which is located in the home country and must therefore adhere to the laws of that state, while the subsidiary must also honor the local laws of the host country. The most stressing problems when it comes to jurisdictional conflict are taxes and antitrust legislation. Who can tax multinationals? The home or host country? And which of the two must enforce antitrust law, and what happens when home and host country have conflicting laws? Extraterritoriality comes into the picture when the government of the home country tries to influence the subsidiary in the host country, because the former claims it has jurisdiction over its nationals everywhere in the world – according to international law. However, the host government will feel like it is being affected in its sovereignty, because another country tries to influence its internal affairs. This is quite a complicated (legal) problem.³⁴

A third issue is the potential lack of national control of the host government over its economy. This is mainly caused by growing interdependence in the world economy, because

³³ Jones, *Multinationals and Global Capitalism*, 201.

³⁴ Stephen J. Kobrin, 'Sovereignty@Bay: Globalization, Multinational Enterprise, and the International Political System', in: Alan Rugman ed., *The Oxford Handbook of International Business* (Second edition; Oxford 2009) 183-204, there 186-190.

of better, cheaper and faster communications and transport technology, accompanied by a global financial system. However, multinationals also have a part in this, as they are the actors in the interdependent world economy. This leads to problems between national governments and multinationals because of the following situation. During the twentieth century governments found it increasingly important to ensure the welfare of their citizens. They are, however, for a rather large part dependent on the private sector to achieve this. Be that as it may, multinationals can have other interests – enlarging profits and growth – than governments – social and economic welfare for the population. Moreover, the scope and scale on which multinationals and governments operate and try to pursue their goals are very different – respectively global and national. This creates a lot of tensions when governments are partly dependent on multinationals to achieve their goals, but the former cannot really control the latter, because of the difference in scale and scope.³⁵

It is thus very important to keep in mind that national governments have a national outlook, while multinationals have more global interests. This causes legal problems, but also difficulties for understanding – and serving – each other's interests.

Multinationals and national governments: a very short history

Before diving into the debate between academic authors about the power relation between multinationals and national governments, it might also be interesting to very briefly mention how governments thought about multinationals from the end of the Second World War until now.

Especially from the 1960s onwards, when movements from the left of the political spectrum became more popular, the popularity of multinational corporations greatly decreased throughout the world. This was especially true for developing countries, where many leftist governments appeared – although in Western Europe the population also agitated against multinationals quite a bit, however the outcomes were usually not that far reaching as they could be in developing countries.³⁶

Nonetheless, during the 1980s, after the debt crisis and when the world economy was increasingly integrating, many of these countries slowly but surely let their objections to multinationals fall. Today there are only a few countries in the world which hold an

³⁵ Kobrin, 'Sovereignty@Bay', 190-191.

³⁶ Jones, *Multinationals and Global Capitalism*, 286-287.

uncompromising position towards multinational corporations.³⁷ It is quite interesting that while the popularity of multinationals actually increased during the past two or three decades – or at least resistance against them decreased – their power has grown according to many of the authors discussed below.

Authors on the power relation between multinationals and national governments

At the end of the 1960s and during the 1970s there was quite a debate about multinational corporations who supposedly compromised the sovereignty of the nation-state. George Ball – an American diplomat – and Charles Kindleberger – an American historical economist – were one of the first to mention this.³⁸ However, Joseph Nye, Jr. and Robert Keohane – both Americans and founders of the neoliberal theory of international relations – took it to another level and a wider public when they attacked realism. They argued that (economic) interdependence should be taken into account when discussing international relations. One of the questions – and the most relevant one for this debate – they asked was whether states were still the dominant actors in world politics, or whether economic actors – like multinationals – had become very important as well.³⁹ A new school had opened up in international relations theory.

Nye and Keohane were, however, not the only ones in 1971 to publish about the growing importance of economic (non-state) actors. So did Raymond Vernon. He was a member of the team that constructed the Marshall Plan, and had also worked on the creation of the International Monetary Fund and the General Agreement on Tariffs and Trade. At Harvard University he devoted a lot of work to the influence of multinationals on government power. With his book *Sovereignty at Bay* (1971) and his 1981 article ‘Sovereignty at Bay: Ten Years After’, in which he reflected on that book, he received a lot of attention by arguing that the sovereignty of states was in danger because of the growing importance of multinationals. This had resulted in overlapping and conflicting jurisdictions. Vernon had three main worries: firstly, that the advantages that multinationals offered were too good for governments to give up. Secondly, that a subsidiary of a multinational could never serve all

³⁷ Jones, *Multinationals and Global Capitalism*, 287-288.

³⁸ George W. Ball, ‘The Promise of the Multinational Corporation’, *Fortune* 75 (1967) 80 and Charles P. Kindleberger, *American Business Abroad: Six Lectures on Direct Investment* (New Haven 1969).

³⁹ Joseph S. Nye, Jr. and Robert O. Keohane, ‘Transnational Relations and World Politics: An Introduction’, in: Idem, *Transnational Relations and World Politics* (Cambridge, Mass. 1971) 4-29.

the interests of a host country, because the interest of the multinational as a whole were too global, and therefore not the same as the host government's. Thirdly, home governments could misuse multinationals to influence host governments.⁴⁰

Already in the 1970s there were authors who were not too sure about this dramatic decline of power of national governments. Samuel Huntington for example. He is an American political scientist, today best known for his *Clash of Civilizations*. However, in his 1973 article 'Transnational Organizations in World Politics', he argued that some more nuance would be wise when it comes to multinationals and how they would decrease the sovereignty of states and the power of their governments. Multinationals do not have a legal status under international law, only under the law of national states. Therefore, Huntington argued that because multinationals needed a place to settle, and nations were the only ones who could grant access to territory, multinationals in fact reinforced nation-states.⁴¹

Globalization and the decreasing power of national governments

Stephen Kobrin – Professor of Multinational Management at Wharton School of the University of Pennsylvania – believes that the nation-state in the times of Vernon was in fact more powerful than multinationals. The problems that existed in that period were mainly ones of overlapping jurisdictions and extraterritoriality, and thus problems between territorial states.⁴² Which, like Huntington argued, actually acknowledged the power of national governments.

However, with the advent of (economic) globalization and deregulation, the power of the state has decreased. Less internalized multinationals – who are much less territorially bound because they outsource a large part of their supply chain to third parties – are quite hard to control for national governments. Moreover, technology has become increasingly expensive, which means that multinationals need a larger market than any country can offer to see a return on their investments. Companies also tend to work together to create this complicated and expensive technology, often through fast changing and loose alliances, which are also very hard to control for governments.⁴³ Furthermore, governments are becoming

⁴⁰ Raymond Vernon, *Sovereignty at Bay* (New York 1971) and Raymond Vernon, 'Sovereignty at Bay: Ten Years After', *International Organization* Vol. 35 No. 3 (1981) 517-529.

⁴¹ Samuel P. Huntington, 'Transnational Organization in World Politics', *World Politics* Vol. 25 No. 3 (1973) 333-368, there 355-356.

⁴² Kobrin, 'Sovereignty@Bay', 192.

⁴³ Dunning calls this alliance capitalism: John H. Dunning, *Globalization, Economic Restructuring and Development* (Geneva 1994).

more dependent on that technology, so if they try to control the multinational against its will, it will leave that host country and the government will lose technological knowledge. Add the Internet which also decreases the importance of territoriality, and it looks like the multinational – or transnational – has improved its position in the power relation with governments quite a bit, according to Kobrin.⁴⁴

Geoffrey Jones argues that between 1945 and 1980 national governments in developed countries tried to curb multinationals, and nationalize sectors which were seen as sensitive for national security. European countries also tried to create “national champions”. These domestic firms were promoted to become dominant over multinationals in strategic sectors like computers and automobiles. Moreover, Jones gives an important example of the French government who tried to keep a firm grip on the high technology sector in the 1960s. However, this became problematic because of France’s membership of the European Economic Community. Companies could settle elsewhere in Europe, and still have access to the French market.⁴⁵ So the EEC decreased the autonomy and bargaining power of national governments in Europe.

Jones furthermore notes, that during the 1980s there was a policy shift to be seen all over the world. Foreign firms were much less monitored and restricted by national governments. Capital and money markets were globalized to such an extent, that restrictions did not work anymore. The nationalization of certain sectors, and the effort to create national champions had failed, and thus these strategies were abandoned. The result was economic liberalism, privatization and deregulation. High unemployment rates – caused by the oil crises in the 1970s – were also a reason to no longer restrict multinationals, but attract them by means of tax concessions, other subsidies, and infrastructural projects. Moreover, the fall of the Communist world intensified competition between host countries and opened up many new and cheap labor markets for multinationals.⁴⁶

It thus seems that Jones believes that the power relation has changed since the 1980s, with national governments losing terrain to multinationals. Governments saw their interests better served by attracting multinationals than by keeping them out, amongst others because of high unemployment rates. Other reasons were that governments found it increasingly

⁴⁴ Kobrin, ‘Sovereignty@Bay’, 192-200.

⁴⁵ Jones, *Multinationals and Global Capitalism*, 205-206.

⁴⁶ Jones, *Multinationals and Global Capitalism*, 206-208.

difficult to acquire the latest technologies, organizational skills and access to markets without the help of multinationals.⁴⁷ So the interests of governments grew, and multinationals were more than willing to serve those, in return for subsidies, tax concessions and infrastructure. To a certain extent it could be said that the interests of national governments and multinationals have converged and become mutual, but it does seem like governments have to offer more and receive less than they used to.

Peter Drucker has a somewhat negative view of the fate of the nation-state as well, but does not think it is doomed. He argues that the early seventies were an important transition period. When the Bretton Woods system collapsed and states received monetary and financial sovereignty, things changed. Drucker thinks states did not handle this newly received freedom very well, which resulted in floating currencies, ever changing exchange rates and fluctuating interest rates. This development has resulted in a global financial system that puts serious restraints on the decision making process within governments.⁴⁸ Drucker thinks that the unpredictability of the new global economy – in which finances and services are dominant – can be limited by supranational organizations and international laws.⁴⁹

Moreover, Drucker also mentions the growing importance of transnational companies, rather than multinational companies. According to Drucker, this decreases government power as transnational companies do not really care about national boundaries. They are so mobile, they can easily leave if a host government does not suit their needs. Some believe the transnational company will create interdependence in the world economy and thus peace. These people argue that if a war would occur, the subsidiary of a transnational company in one particular country would only produce one part of the end-product, while all the other parts might very well be produced in countries which have become enemies. In that case, there would be no end-product which could be used by the army. However, Drucker argues that in the past two hundred years, every time that people thought the world was economically interdependent and war would not occur anymore, nationalistic passions overruled rational economic interests. He gives two examples: Gorbachev thought that the Soviet-Union was too economically integrated to be split up into several countries, as did the Liberals of Austria-

⁴⁷ Jones, *Multinationals and Global Capitalism*, 228.

⁴⁸ Drucker, 'The global economy and the nation-state', 159-164.

⁴⁹ Drucker, 'The global economy and the nation-state', 164-169.

Hungary. Both were wrong. Drucker thus seems to believe that governments can be more powerful, when they call upon the nationalistic feelings of their people.⁵⁰

Susan Strange – a well-known British academic in the discipline of international political economy – also believes that (territorial) governments are losing power to non-territorial entities – like multinationals. It has resulted in the fact that competition for shares of the global market and not competition for territory determine who is most powerful in the world.⁵¹ The causes she notes are similar to those already mentioned: changing technology and finance, deregulation, privatization, and the integrating world economy which resulted in the fading borders of national economies. Strange essentially argues that there is now no dominant form of power like the nation-state has been in the past. There are different actors who all try to become dominant in the world, and people will have multiple loyalties accordingly.⁵²

John H. Dunning does think that nation-states and their governments have lost some of their power, but are not disappearing per se. Governments still have a decent bargaining position if they keep their locational advantages – like a well educated labor force, and a good transportation and communication network – on a high level. So if multinationals and national governments can consider themselves as suitable partners in combining the ownership advantages of the firm with the locational advantages of the host country, then this will lead to mutual beneficial situations and a healthy power relation.⁵³

However, Dunning does think, like the authors mentioned above, that governments should adapt to the changing global economy – with its large amount of cross-border activities of companies, and the highly mobile assets of these multinationals like technology, entrepreneurship and organizational skills. One way governments can adapt do this, is by working together a lot more, instead of competing with each other. If they work together, they

⁵⁰ Drucker, 'The global economy and the nation-state', 167-171.

⁵¹ John M. Stopford, Susan Strange, and John S. Henley, *Rival States, Rival Firms: Competition for World Market Shares* (Cambridge 1991) 43-45.

⁵² Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge 1996) 183-199.

⁵³ John H. Dunning, 'A Business Analytic Approach to Governments and Globalization', in: Idem, *Governments, Globalization and International Business* (New York 1997) 114-131, there 128.

can bundle ideas and information, and even coordinate policies. However, Dunning acknowledges that nationalistic tensions make this difficult.⁵⁴

Nothing new

Geoffrey Garrett – Professor of Political Science at the University of Sydney, and co-founder of the United States Study Centre at that university – thinks the decline of national governments is exaggerated. He argues that international trade, multinational production and the internationalization of the financial markets can affect the power of the nation-state. He does, however, also note that the relation between business and governments has concerned authors since the days of Adam Smith. Nonetheless, the nineteenth century has been the era of the expanding state. The same is true for the 1970s when the role of the state greatly increased, while at the same time many people were afraid of the power and influence of multinationals. So fears of business taking over the state have been proven wrong a few times before.⁵⁵

Moreover, Garrett points out that limitations imposed on government policy by trade and multinationals are different than those imposed by the internationalization of financial markets. The latter restricts governmental policies worse than the other two. Either way, Garrett argues, these constraints are not as large and important as is often believed.⁵⁶

An important point Garrett makes is that until at least the 1990s there has been no reason to believe that there is a “race to the bottom”.⁵⁷ Such a race implies that because multinational corporations can easily transfer their business to another country, they can more or less force governments to decrease taxes on the company, as well as workplace regulations and other conditions. All these conditions are expensive for corporations and are often said to be nothing but a burden for them. So the sooner they disappear, the happier multinationals are, and the more employment it will provide for that particular country.

However, Garrett argues nonetheless that such conditions are not just negative for multinationals. Because if a particular government does have an interventionist policy, this

⁵⁴ John H. Dunning, ‘Governments and the Macro-Organization of Economic Activity: A Historical and Spatial Perspective’, in: Idem, *Governments, Globalization and International Business* (New York 1997) 31-72, there 62.

⁵⁵ Geoffrey Garrett, ‘Global Markets and National Politics: Collision Course or Virtuous Circle?’ *International Organization* Vol. 52 No. 4, *International Organization at Fifty: Exploration and Contestation in the Study of World Politics* (1998) 787-824, there 795-796.

⁵⁶ Garrett, ‘Global Markets and National Politics’, 805.

⁵⁷ Garrett, ‘Global Markets and National Politics’, 823.

can have advantages for business. One could think of a high level of education and an excellent infrastructure. Moreover, preventing social unrest, and providing safety and stability are tasks which the OECD countries have always fulfilled. They have been able to do so because of the large amount of regulation, negotiations between governmental agencies, companies and workers, and a good social security system, paid by relatively high taxes. These high taxes have not led to capital flight in many of the OECD countries, because they have resulted in useful collective goods. Not to mention larger purchasing power of large parts of the population, because of social security. Even the acceptance of capitalism as an economic system has been something which the government has promoted, with obvious positive consequences for multinationals.⁵⁸

Garrett thus holds the opinion that the power relation between multinationals and national governments in OECD countries has remained in favor of governments for the last two hundred years – during which there always were the same concerns as there are now – and that there is no good reason to believe that this will change dramatically in the near future. This thus means that governments who are used to intervene quite extensively in the economy, do not have to alter this behavior. Their interventions lead to many collective goods which make up for increased costs, and therefore do not necessarily result in capital flight. After all, multinationals also profit from matters like high levels of education, good infrastructure, and a peaceful social climate – partly created by means of high social security spending. That high taxes are necessary to pay for these positive aspects, is something multinationals understand, and are willing to do.⁵⁹

Globalization as a major problem

Noreena Hertz is one of the more extreme authors. She received a PhD in economics from Cambridge University and is currently professor of Globalization, Sustainability and Finance at Rotterdam School of Management, Erasmus University. Her ideas are that the democratic sovereign state is increasingly under fire by large multinational corporations and globalization. Therefore she really wants to see a return of the state.⁶⁰

⁵⁸ Garrett, 'Global Markets and National Politics', 823.

⁵⁹ Garrett, 'Global Markets and National Politics', 823-824.

⁶⁰ Noreena Hertz, *The Silent Takeover. Global Capitalism and the Death of Democracy* (London 2001).

In her view the situation has gone downhill ever since neo-liberalism became the dominant ideology in the world in the 1980s. Privatization and a declining role of the state are what she opposes. So Hertz prefers the situation as it was in the period of 1945 until approximately 1980, when there was a much larger state in Europe especially. She believes that the government was more powerful back then and that such a situation is to be preferred to the current one, where multinationals are considerably more powerful than (democratically elected) national governments, with dramatic consequences for the poor.⁶¹

Who needs national governments?

Kenichi Ohmae is a corporate strategist from Japan, and has been a senior partner in the international management consultant firm McKinsey & Company for more than twenty years. He believes that governments should and will be serving regional economies – like northern Italy, Hong Kong, and Southern China – not dominating them. Ohmae believes this will become reality because of the earlier mentioned “race to the bottom”. As multinational companies are less territorially bound than they used to be in agricultural and industrial times – in the first case fertile ground was important, in the second raw materials – they can negotiate much harder with governments for lower taxes, and fewer labor and environmental regulations.⁶²

Ohmae thinks the power relation between multinationals and national governments has changed dramatically in favor of multinationals. He does think national governments were quite powerful when economies were more national, but now that the economy has become more and more global, national governments do not stand a chance. Most interestingly – and what distinguishes him from Noreena Hertz – he does not really see why this new situation would be a bad one.⁶³

Summing up

Now it is time to weigh the different views. It seems hard to believe that global economic integration would have left national governments untouched. The rise of the service and financial sector – which are not bound by territory – present multinational companies with a

⁶¹ Hertz, *The Silent Takeover*.

⁶² Kenichi Ohmae, *The End of the Nation State: The Rise of Regional Economies* (New York 1995).

⁶³ Ohmae, *The End of the Nation State*.

strong bargaining position. They can cause a “race to the bottom” to some extent. However, to paint the picture as dramatic as Noreena Hertz does, seems a bit exaggerated. She essentially argues that national governments are lost, as does Ohmae. Garrett on the other hand, uses very valid arguments to counter these ideas. He argues that multinationals will not cause a “race to the bottom” because they can profit a lot from governments who invest heavily in education, (legal) infrastructure, social security and regulation – even though this is paid by high taxes.

Nonetheless, Garrett might be too optimistic. Kobrin is right when he argues that territory has become less important due to transnational companies and the Internet. Furthermore, expensive technology makes governments dependent on multinationals. Drucker mentions the deregulation of financial markets, over which governments have almost no control anymore. Jones further adds the importance of high unemployment levels and expensive labor costs, which have weakened the bargaining position of national governments in developed countries. Even though Drucker notes that nationalistic feelings can be an important binding force – in times of crises that is – Dunning on the other hand mentions how this negatively influences the cooperation between governments to regain control of multinationals. It thus seems that Strange is right in arguing that national governments are no longer the dominant form of organization. Multinationals have caught up, and have changed the power relation. Despite some small differences, Kobrin, Jones, Drucker, Strange, and Dunning all agree that national governments are certainly not disappearing, but have lost their dominant position in the world, especially vis-à-vis multinationals.

A last thing that has not been mentioned very much – because this debate was concerned with the power relation between multinationals and national governments in general – is that the power relation between those two is different for every country. In fact, it is different for every part of the economy and even for every multinational. The way in which unions are organized, the government itself is organized, whether there is a democratic or other government, and more institutional facets all contribute to the mentioned power relation.⁶⁴ Moreover, the corporate strategy of every firm is different, as are its location and sector distinct from others, which has its consequences for the power relation.⁶⁵ Therefore it

⁶⁴ Geoffrey Garrett and Peter Lange, ‘Internationalization, Institutions, and Political Change’, in: Robert O. Keohane and Helen V. Milner eds., *Internationalization and Domestic Politics* (Cambridge 1996) 48-75.

⁶⁵ Paul N. Doremus, William W. Keller, Louis W. Pauly, and Simon Reich, *The Myth of the Global Corporation* (Princeton 1998).

would seem wise to narrow the scope of this research, and focus on Ford and Dow Chemical in the Netherlands.

Conclusion

All in all, what can be concluded about the power relation between multinationals and national governments in general, is that there has been a transformation of this relationship during the last few decades. After World War Two the relation was more in favor of the governments, at least in developed countries. Authors like Raymond Vernon did argue otherwise, but this was not very convincing. Multinationals actually proved the strength of national governments, because the latter used jurisdictional conflicts to try to exert influence over other governments. Moreover, the economy was much more organized on a national level – instead of on an international scale – and could thus more easily be controlled by national governments. Furthermore, developed countries had enough cheap labor, high levels of education and good infrastructure. They could thus offer multinationals a lot, for which the governments could ask things in return – technological knowledge, taxes over capital, and employment.

This changed from the second half of the 1970s onwards, when global markets became more integrated, the service and financial sector became more important – which are not territorially bound – and companies increased investments in developing regions because of fewer regulations and lower labor costs. Moreover, the fall of the Communist world intensified competition between host countries, further enabling a “race to the bottom”. Developed nations suddenly had fewer things to offer, and more interests due to high unemployment levels and their dependence on the expensive technology of multinationals.

This has however not decreased the power of governments in developed countries as dramatically as Hertz and Ohmae believe – although at the same time more than Garrett argues. Their power might have declined to a certain extent, but they still have a strong bargaining position because of good education levels, excellent (legal) infrastructure and a stable political climate. Kobrin, Jones, Drucker, Strange, and Dunning have the best ideas concerning the power relation between multinationals and national governments. According to these authors, national governments have been losing their dominant position in the world since the late 1970s, and multinationals have been gaining power. This means that the power relation has changed from being in the favor of national governments between 1945 and the first half of the 1970s, to a kind of equilibrium between the two parties from the end of the

1970s onwards. However, it will be necessary to assess the situation on the level of one particular multinational and one particular government, to see who actually is dominant in which cases.

Painting the picture: Ford, Dow, and the (Dutch) socio-economic context

The purpose of this chapter is to provide context. To begin with, there is a short history of the Dutch subsidiaries of both Ford and Dow Chemical. After that, the focus will be on the socio-economic situation in the Netherlands between 1945 and 1985, and how this context made the Netherlands such an interesting country to invest in for (American) multinationals. In this way, the chapter will provide some background knowledge to understand the development of the power relation between Ford and Dow Chemical, and the Dutch government.

Ford Netherlands: a short history

From 1903 until 1924 Ford in the Netherlands was represented under several different names, some officially appointed by Detroit, others not. In 1924 the Ford Motor Company of Holland NV was established in Rotterdam. This was converted into the NV Nederlandsche Ford Automobielen Fabriek in 1928. The Ford Motor Company Ltd. in England acquired sixty per cent of the shares. However, since the English branch was a subsidiary of the Ford Motor Company (FMC), indirectly the Dutch subsidiary was in fact in American hands.⁶⁶

Up until this point the Rotterdam branch was largely a sales office. In 1928 FMC decided to build an assembly plant in the Netherlands to save import duties, as import tariffs on knocked-down cars – cars which have yet to be assembled – were considerably lower than those on fully assembled ones – in 1940 the difference was 20 per cent. Moreover, it also saved transportation costs if only unassembled cars had to be shipped. There already were assembly works in Europe, one in England (Manchester) and one in France (Bordeaux). Two new complete factories would also be built in Dagenham and Cologne, which became operational in 1931. The Dutch assembly works would first be located in Rotterdam. However, when the factory was almost finished, Henry Ford supposedly visited it, and did not like it because it was not next to deep water – all previous Ford factories had been built next to deep water for car shipments – and he thought it was too small. The factory therefore was never put into use, and a new larger one was built and became operational in Amsterdam in 1932, next to the water. Also important is the fact that Amsterdam was prepared to sell the ground to Ford, contrary to Rotterdam, which would only lease it. Ford was a typical

⁶⁶ De Goey, 'Ford in the Netherlands, 1903-2003', 234-236.

American company in the sense that it liked to own the land where its factories were built on.⁶⁷

FMC sometimes interfered intensively with the Amsterdam plant, ranging from the design and organizational structure of the works – and even the location in the 1930s – to the kind- and amount of models Amsterdam assembled. By 1949, FMC had taken over the shares of Ford Netherlands from Ford England and now had much greater influence on the Amsterdam assembly plant. From 1967 Ford of Europe (FOE) – located in Warley (Brentwood), Essex in England – managed the subsidiaries in Europe. Very important to note here is that FOE was not an ownership structure, but a management structure. FOE's mission was to coordinate all Ford's affairs in Europe. However, all the subsidiaries would still be owned by FMC, and not by FOE. The latter's creation was the result of the organizational merger of the English and German subsidiaries. FMC wanted to end the internal competition between the English and German operations, and profit as much as possible from the (emerging) European Common Market.⁶⁸

Through the creation of FOE, FMC was consciously transforming itself into a real transnational company comparable to no other car manufacturer at the time. Research and development, and manufacturing facilities were to be coordinated and transformed by FOE. Products would be unified for the entire European market; all of this was no longer to be done by every individual national subsidiary. In this new structure FOE would not consider Ford Netherlands a very important player.⁶⁹

Ford had a market share in the Netherlands of 28.8 per cent in 1950. This would later drop in the 1960s and 1970s because of the comeback of European car manufacturers and the advance of Japanese and other Asian car makers, but also because apparently Ford was not able to develop interesting new (European) models. However, until the 1970s (imported) sales in the Netherlands were generally good, between 1961 and 1964 they even rose from 19,000 to 44,000 units. Profits fluctuated, but were generally good, and until the 1970s losses were only made in the Second World War and in 1957.⁷⁰ Production increased from 3,000 vehicles per year before 1940, to 5,000 after 1950, and the record high of 28,599 in 1968. The number

⁶⁷ De Goey, 'Ford in the Netherlands, 1903-2003', 236-238.

⁶⁸ Gérard Bordenave, 'Ford of Europe, 1967-2003', in: H. Bonin, Y. Lung en S. Tolliday (red.), *Ford. The European history 1903-2003* (Éditions P.L.A.G.E.; Paris 2003) Vol. 1, 243-317, there 269-270.

⁶⁹ De Goey, 'Ford in the Netherlands, 1903-2003', 242, 245-246, 258-259 and Bordenave, 'Ford of Europe, 1967-2003', 269.

⁷⁰ De Goey, 'Ford in the Netherlands, 1903-2003', 242-245 and 258.

of employees increased impressively as well: in 1932 there were 300 people working at the assembly plant, 600 in 1946, in 1955 it had already grown to 1,200, by 1965 it was 1,300, and it peaked in 1981 with 1,484 employees.⁷¹

However, after 1968 market share and absolute production started to drop most of the time, due to heavy Asian and European competition. An attempt was made to focus production more on commercial vehicles – lorries and vans – and not on the bad selling passenger cars – the latter suffered a lot from the competition. This was not a very successful move; Ford was not able to acquire a strong position in the lorry market. To make the situation worse, the oil crises and subsequent recessions caused demand to drop in the entire automobile sector.⁷² Furthermore, wages formed an increasingly larger part of production costs, caused by the fact that wages had been increasing rapidly in the Netherlands ever since the early 1960s, which had far reaching consequences for the labor intensive automobile sector. High turnover of personnel and absenteeism at the Ford factory further deteriorated the position of the Amsterdam plant.⁷³ Production capacity was very small as well, compared to other Ford assembly works at the end of the 1960s. Because of all these reasons the production division had been making losses since 1969. The sales division was able to fill this gap with imported sales and other activities, but after 1978 even the sales division could not counterbalance the losses of the assembly division anymore.⁷⁴ Eventually, even though two industry unions – Federation Dutch Labor Movement (FNV) and the much smaller National Federation of Christian Trade Unions in the Netherlands (CNV) – had occupied the works twice in 1981 to prevent closure, the assembly factory was shut down at the end of 1981. The sales organization would go on, however, as it had before 1932.⁷⁵

A short history of Dow in the Netherlands, with a focus on Terneuzen

In 1955, nine years before Dow opened its plant in Terneuzen, it established a central warehousing point in Rotterdam, in the Botlek area, called the Nederlandsche Dow Maatschappij N.V. (NDM). From there Dow imported its own products from the United States – from Texas in particular – to the rest of Europe. Later on the company also built

⁷¹ De Goey, 'Ford in the Netherlands, 1903-2003', 239-257.

⁷² De Goey, 'Ford in the Netherlands, 1903-2003', 249 and 258.

⁷³ De Goey, 'Ford in the Netherlands, 1903-2003', 251.

⁷⁴ De Goey, 'Ford in the Netherlands, 1903-2003', 247, 251-253 and 258.

⁷⁵ De Goey, 'Ford in the Netherlands, 1903-2003', 245-257.

several production plants on the Botlek site. Although Dow opened its second European sales office at the Rotterdam site in 1958, that office was already moved to Brussels just three years later. However, this certainly was no writing on the wall for leaving the Netherlands. NDM served as Dow's entrance into Europe for many years, and after some time they felt the time had come to build a major production plant on the European continent. The Netherlands was on the list of nominees.⁷⁶

In 1962 it was officially decided that a new Dow production plant would be built in Terneuzen. Dow saw advantages in the Netherlands because of cheap labor costs, stable labor relations, a good entrance into the European market, deep water, the possibility to buy land, and there already was a part of the company in Rotterdam. The last important issues to be solved were taxes, import duties, consensus with the unions, and financing facilities. Taxes would be the decisive issue. The Belgian government offered very interesting tax incentives, but the Netherlands could eventually top this and could thus ensure that Dow would choose Terneuzen. The Terneuzen mayor and councilors did have to make some additional concessions concerning their influence on the sold ground. The expropriation of the land was subsidized by The Hague.⁷⁷

By 1964 the first plant – producing polystyrene – had opened. In 1967 a styrene plant was added and a LDPE (Low-density polyethylene) plant started production in 1969. The first naphta cracker was built in 1967, followed by a second one in 1975. The presence of these two naphta crackers made the Terneuzen site of vital importance to Dow's overall strategy, as naphta is the basic raw material from which other materials can be produced, for example ethylene – which, in turn, is used to produce plastics. These newly created materials – like ethylene – could be sold to other chemical companies, but Dow Terneuzen could now also provide for other Dow factories in Europe, and operate largely independently from the Texas division.⁷⁸ Dow also finally managed to close the agreement with the government to build on the mussel beds in 1975, which had been the plan since 1966, but had met a lot of protest. In 1982 the Dowlex plant was opened, which produced strengthened plastic.⁷⁹

Dow Terneuzen witnessed strong growth until the second half of the 1970s. Then more moderate growth set in. At the end of 1974 there was some overproduction, because

⁷⁶ E.N. Brandt, *Growth company. Dow Chemical's First Century* (East Lansing, Michigan 1997) 374-377.

⁷⁷ Paul de Schipper, *Achter de dijken. Dow in Terneuzen 1962-1997* (Terneuzen 1997) 99 and 109-113.

⁷⁸ Brandt, *Growth company*, 379 and Sluyterman and Wubs, *Over grenzen*, 190.

⁷⁹ De Schipper, *Achter de dijken*, 141, 147, 149 and 165.

demand had dropped due to the oil crisis. Nevertheless, after reducing production for a few months, the situation was already much better in the second half of 1975, and the consequences of the oil crisis had been successfully endured. Although there have been hiccups like this throughout the existence of Dow Terneuzen, it was only in the early 1990s that there were serious setbacks. In 1991 there were still 2400 contract workers on Dow terrain, while at the end of 1992 there were only 1100 left. 500 of the 2700 employees also had to leave. After this the business has been improving again.⁸⁰ By 2005, the Terneuzen plant was the largest subsidiary of Dow in Europe. The company from Midland had become the Netherlands' largest foreign direct investor, after having made new investments worth 800 million US dollars, including a third naphtha cracker. From that moment, if Dow would ever want to replace the Terneuzen complex, it would have to spend six billion US dollars.⁸¹

Mostly sunny: the socio-economic climate in the Netherlands between 1945 and 1970

Between 1945 and 1970 there was strong economic growth throughout the world. The first decade after the Second World War was one of rebuilding countries and economies all over Europe. This was possible partly because the United States took a leading role. Amongst other things, it resulted in a well functioning international order and the spread of technological expertise – much needed to increase labor productivity in Europe – and organizational knowledge.⁸²

Furthermore, the United States cooperated with the newly established United Nations to facilitate international trade and flows of finances through institutions like the International Monetary Fund (IMF). Besides that, the Bretton Woods system provided stable exchange rates, by linking all currencies to the dollar, and the dollar to gold. Moreover, trade barriers – created during the Great Depression – were fought against by means of the General Agreement on Tariffs and Trade (GATT).⁸³ Add the American pressure on European nations to decolonize, and the isolation of Eastern Europe and the Soviet Union by Washington, and it

⁸⁰ De Schipper, *Achter de dijken*, 157, 167 and 171.

⁸¹ Ferry de Goey and Ben Wubs, 'US multinationals in the Netherlands in the 20th century: "The open gate to Europe"', in: Hubert Bonin and Ferry de Goey eds., *American companies in Europe (1890-1980). Strategy, Identity and Performance* (Geneve 2008) 149-184, there 178.

⁸² Sluyterman, *Kerende kansen*, 163-164.

⁸³ Sluyterman and Wubs, *Over grenzen*, 154.

seems like there was an increasingly Western (economic) system in the making, for a large part stimulated by the new world power: the United States of America.⁸⁴

The Marshall plan was important for the Netherlands to gain access to raw materials. This plan also helped the Dutch with financial assistance and loans, as there was a shortage of dollars in the Netherlands. At the same time, by means of the Marshall aid, the Americans put pressure on the country to liberalize its economy and work together economically with the other European nations. An integrated Europe was deemed to be essential to reach the desired goal of mass consumption and mass production. Furthermore, one of the conditions of the Marshall plan was that American companies would have free access to the Dutch market.⁸⁵

After the Marshall plan had improved the balance of payments, the Dutch government focused on industrializing to further improve the balance of payments and to increase employment. It created eight industrialization schemes from 1949 until 1963 to reach its goal. The role of the government can best be described as a supporting one, not a leading. Free markets and free entrepreneurship remained essential. The goals of the industrializing schemes were reached, although it remains unclear whether this was due to the government plan or the overall growth of the world economy. Either way, the Netherlands had become an industrialized country in the 1960s. Although it must be noted that the agricultural sector also played an important role – with a large increase in labor productivity, caused by mechanization – as did the service sector.⁸⁶

It has to be mentioned that the Dutch government played a central role in guiding demand and employment. Consultations between employers and unions, and between employers and the government were also central to economic policy in the Netherlands. They cooperated to ensure employment – which had priority, because of the memories of the disastrous 1930s when unemployment was extremely high – and to create a system of social welfare.⁸⁷ All the different political parties, from confessional, to liberal, to socialist – all with a history of competition – worked together as well until the 1960s, to ensure the rebuilding of the Netherlands.⁸⁸

⁸⁴ Sluyterman, *Kerende kansen*, 163-166.

⁸⁵ Sluyterman, *Kerende kansen*, 163-164.

⁸⁶ Sluyterman, *Kerende kansen*, 179-186.

⁸⁷ Sluyterman and Wubs, *Over grenzen*, 153.

⁸⁸ Sluyterman, *Kerende kansen*, 172-173.

Very important and interesting was the centrally directed wage policy. The Foundation of Labor (Stichting van de Arbeid) advised the government on what would be the best level of wages. Employers and employees worked together in this foundation. Until 1963 the government determined how much the wages could rise, after having been advised by the Foundation of Labor. Wages were kept low, but so were prices, to ensure that the purchasing power of the population would remain on an acceptable level. Employers lost a part of their freedom in this way, but did see a few things in return: wages would be more or less the same throughout an entire sector, international competitiveness increased, and the employees were satisfied with these arrangements – as they would result in long-term prosperity and very high employment levels – and so social unrest was prevented.⁸⁹

In 1963 the centrally directed wage policy was abandoned. From that moment wages were solely determined by means of the demand for employees, as there was nearly full employment and some sectors even had to deal with a shortage of personnel. The result was a large rise of salaries. From the early 1960s into the 1970s, the Netherlands would change from a low-wage-country into one of expensive personnel costs. Especially sectors with low labor productivity saw their international competitiveness decline severely.⁹⁰

The government also intervened in other ways. Everywhere in Europe welfare systems were developed. The Dutch would be one of the most elaborate. It started with an emergency law in 1947 for pensions. By 1952 unemployment insurance had been introduced (WW). In 1956 the General Old Age Law (AOW) was adopted, followed by the General Assistance Act (Algemene Bijstandswet) of 1963, and in 1967 the Disability Act (WAO). All these measures were expensive and increased the labor costs that employers had to pay, certainly when wages began to rise enormously as well from the early 1960s.⁹¹ Additionally, over time these insurances were used extensively, to such an extent that by 1970 it took up 15 per cent of GNP and in 1980 24 per cent. This was far more than in surrounding countries, where it was approximately 13 to 14 per cent.⁹²

In the period between 1945 and 1970 it can very well be argued that the Netherlands profited from the positive world economy. However, it also became very dependent on it, as

⁸⁹ Sluyterman, *Kerende kansen*, 173-174.

⁹⁰ Sluyterman, *Kerende kansen*, 174-175.

⁹¹ J.L. van Zanden, *Een klein land in de 20^e eeuw. Economische geschiedenis van Nederland 1914-1995* (Utrecht 1997) 203-204.

⁹² Sluyterman, *Kerende kansen*, 189-190.

the Dutch economy was rather small and open. The Dutch government tried to counter the fluctuating effect of the world economy by creating an extensive welfare system, and by making sure employers, the government and employees communicated well and reached fruitful compromises. The Dutch government intervened and partly directed the economy, but entrepreneurship always remained central. By 1970, the era of mass consumption and mass production had begun in the Netherlands.⁹³

Why not? The reasons for investments in the Netherlands until 1970

After having painted the picture of the economic and social climate in the Netherlands, it is essential to make the link with the interests of Ford and Dow Chemical, and of the Dutch government. John Dunning's eclectic paradigm will again be of some use here. The main ownership advantages that both companies possessed have already been mentioned: they had advanced technological and organizational knowledge.⁹⁴ Moreover, they had capital and the ability to create jobs. All four were very important for the Netherlands, as the war and the depression had left the country and businesses in ruin. This had automatically led to unemployment as well.

The question now remains what the Netherlands were able to offer Ford and Dow in return. It might be important to mention the general locational advantages of the Netherlands.⁹⁵ There was at least one that the country had to offer simply by means of its location. It was surrounded by several large countries, with which it had easy accessible water ways and could thus very well serve these surrounding states. There were, however, many more locational advantages to be found in the Netherlands for (American) multinationals. Such as well educated workers, good language skills, excellent infrastructure – like the Rotterdam port and Schiphol airport – and a long history of banking skills and international trading networks. Until the early 1960s there also was cheap labor – even though social security costs were already high. Moreover, the Netherlands provided stability in the political arena and a peaceful social climate.⁹⁶

In addition, until the escalation of the American involvement in Vietnam, the Dutch also held the United States in high esteem. This further facilitated the operations of American

⁹³ Sluyterman, *Kerende kansen*, 233-234.

⁹⁴ Sluyterman, *Kerende kansen*, 163-164.

⁹⁵ Dunning, *The Globalization of Business: the challenge of the 1990s*, 81.

⁹⁶ De Goeij and Wubs, 'US multinationals in the Netherlands in the 20th century', 151.

multinationals in the Netherlands.⁹⁷ The industrialization programme of the Dutch government also made the Netherlands very attractive to invest in, particularly by creating useful industrial sites. By means of subsidies, depreciation schemes, and fiscal incentives the Dutch government further encouraged foreign direct investment.⁹⁸ Additionally, the creation of the European Economic Community by means of the Treaty of Rome in 1957, made the Netherlands an even more useful entry into the rest of Europe. Especially from 1968, when trade barriers between EEC countries were abolished, it was easy to, for example, use the Rotterdam port as transfer port without being troubled by import duties.⁹⁹ Add a very favorable tax climate and cheap energy after the discovery of natural gas in the northern part of the Netherlands at the end of the 1950s, and it seems like it was very advantageous to invest in the Netherlands.¹⁰⁰ Although Ford had already opened its factory in Amsterdam in the 1930s, the plant profited greatly from many of these advantages in the first two decades after the war.¹⁰¹

However, after approximately 1965 some locational disadvantages also appeared: excessive regulation, rising wages, and rather high taxes on companies – although large corporations could sometimes avoid the latter.¹⁰² Popular resentment in the Netherlands against the Vietnam War made the situation less favorable as well. People also started to fear American economic colonization. Moreover, European companies were alarmed by the technological gap between them and American corporations. This had some minor effects like the fact that American multinationals more often used Dutch names for their companies, to disguise their origins.¹⁰³ This is the time when Dow Chemical opened its plant in Terneuzen in 1964 and started growing quite fast.

The newly rising locational disadvantages were apparently not important enough for Dow to change its plans. Rather the fiscal advantages that the Dutch offered were of decisive importance to settle in Terneuzen, and not in Antwerp, Belgium.¹⁰⁴ Of course many of the other general advantages were also valuable for Dow: a good port location with an excellent

⁹⁷ De Goey and Wubs, 'US multinationals in the Netherlands in the 20th century', 153.

⁹⁸ Frank Stubenitsky, *American Direct Investment in the Netherlands Industry. The hegemony of International Business 1945-1970 Volume VII* (Rotterdam 1970) 49-50.

⁹⁹ De Goey and Wubs, 'US multinationals in the Netherlands in the 20th century', 153-154.

¹⁰⁰ Sluyterman and Wubs, *Over grenzen*, 179-181.

¹⁰¹ De Goey, 'Ford in the Netherlands, 1903-2003', 242-245.

¹⁰² De Goey and Wubs, 'US multinationals in the Netherlands in the 20th century', 151.

¹⁰³ Sluyterman and Wubs, *Over grenzen*, 188.

¹⁰⁴ De Schipper, *Achter de dijken*, 105 and 111.

deep water connection with their important division in Texas, excellent infrastructure with access to the European hinterland, as well as a location between Rotterdam and Antwerp. Moreover, the ownership of land – a must for Dow – was a concession gladly made in Zeeland. Not to mention that Dow has a tradition of settling in sparsely populated areas, a fine example of path dependency. Furthermore, subsidies by the Dutch government and the improvement of infrastructure, as well as a disciplined, educated, and lenient workforce with little union organization, made Terneuzen a perfect location for Dow.¹⁰⁵

Clouds are gathering: changes in the Dutch economic and social climate in the 1970s

Already in the 1960s the Dutch population became more critical towards multinationals. It started with concerns about the environment, especially in the Rotterdam port. The quality of air and water got increasingly worse and the population wanted both the government and the companies to do something about this. Environmental issues were, however, not the only reason why the population became more critical. They also wanted companies to become more democratic, with more participation of employees in the decision making process.¹⁰⁶

The public was perhaps even more concerned with what they believed to be the growing power of companies vis-à-vis the government. Businesses could use concerns over employment to influence decision making of the government by threatening to go elsewhere. Moreover, companies themselves grew and therefore the individual power of these companies increased accordingly.¹⁰⁷

All this criticism occurred in a time when the international economic climate showed some signs of distress. In the early 1970s the Bretton Woods system with stable exchange rates fell apart and resulted in fluctuating currencies. The guilder became stronger compared to the dollar, which was negative for foreign direct investments by American multinationals. Moreover, a strong guilder combined with high wages had a negative influence on exports from the Netherlands, which had consequences for the Dutch economy as a whole. Rising energy prices – after the 1973 oil crisis – worsened inflation. Moreover, the creation of environmental laws caused even higher production costs, adding damage to the investment

¹⁰⁵ Sluyterman and Wubs, *Over grenzen*, 190-192.

¹⁰⁶ Sluyterman and Wubs, *Over grenzen*, 159-160.

¹⁰⁷ Sluyterman and Wubs, *Over grenzen*, 160.

climate. Furthermore, while the economic climate worsened, government expenditures increased because high unemployment resulted in an overheated social security system.¹⁰⁸

From the Second World War the United States and the Netherlands both preferred an active government who intervened in the economy when necessary. This was a result of the Great Depression which had caused the Americans to think differently about the role of the government, mainly in the direction of more intervention. Although the degrees in which both governments intervened differed quite a bit, the general idea was the same.¹⁰⁹ However, when the economic recession started in the 1970s, the responses of both governments diverged. The Americans started to deregulate, while the Dutch actually increased government intervention.¹¹⁰

Before the crisis of the 1970s, there had been a consensus between employers and employees. However, this disappeared with the recession. Unions demanded leveling of incomes and more influence of employees on the decision making progress in companies, and they were backed by the social-democratic government of Den Uyl (1973-1977). Moreover, public opinion held that companies who made any profit at all, should not fire employees. Therefore, employers were very hesitant during the 1970s when it came to dismissals.¹¹¹

That resulted in growing discontent among employers. In 1976 nine Dutch multinationals took the unusual step to write a letter (De Brief van Negen) to Prime Minister Den Uyl about the declining international competitiveness of companies in the Netherlands, due to the problems with firing employees. The attractiveness of the Netherlands was becoming increasingly worse according to the letter's writers. Reactions to this letter were very mixed. Most importantly, however, it could be seen as heralding a new era in Dutch thinking about the role of companies and the government in the economy.¹¹²

Silence before the storm? Changing reasons for foreign direct investments in general

There have been a number of occasions in the 1970s when American multinationals thought government involvement crossed the line. For example, after the 1973 oil crisis the Dutch government tried to limit the number of companies in the Western part of the country.

¹⁰⁸ Sluyterman and Wubs, *Over grenzen*, 160.

¹⁰⁹ Sluyterman and Wubs, *Over grenzen*, 155-156.

¹¹⁰ Sluyterman and Wubs, *Over grenzen*, 160.

¹¹¹ Sluyterman, *Kerende kansen*, 248-249.

¹¹² Sluyterman and Wubs, *Over grenzen*, 158-159.

American companies – most of whom were situated in the Western part of the country – were very critical towards this plan.¹¹³

However, this was nothing compared to what the Americans thought about the excess profits sharing plan (Vermogens Aanwas Deling) that the social-democratic government of Prime Minister Den Uyl proposed. According to American companies, this would have meant that Dutch employees would have a say in the investment policy of companies. The Americans – amongst others – thought this was outrageous and would lead to a substantial loss of managerial control, which would have far reaching consequences. In the end, however, the idea was never realized.¹¹⁴

Although in this case it ended well for the multinationals, other difficulties in the Netherlands did become a real problem. High wages, excessive regulation, and relatively high taxes had been there since the second half of the 1960s, but were becoming worse – from the point of view of the companies, especially the ones in labor intensive sectors. High production costs – partly caused by high wages, high absenteeism, and high social security contributions – became increasingly problematic for Ford.¹¹⁵ High gas prices caused by the oil crisis, as well as the low purchasing power of the population because of a rise of unemployment figures due to the recession, caused people to buy fewer cars. This made Ford even more vulnerable.¹¹⁶

Dow was not hit very hard by the recession, partly because – contrary to Ford – it was a labor extensive company, and high labor costs were thus not a very big problem for them. There were some economic setbacks from 1974 onwards, but not too many. It remained a very healthy and strong company. The locational disadvantage that bothered Dow most was the soaring environmental regulation.¹¹⁷

As far as the interests of the Dutch government are concerned, criticism on (American) multinational corporations did grow in the 1970s, but the companies nonetheless remained very important. Worries about the dangers for domestic business and national interests grew, but in the end they did not significantly influence government policy towards multinationals, because politicians were of the opinion that the advantages of those foreign companies surely

¹¹³ Sluyterman and Wubs, *Over grenzen*, 189.

¹¹⁴ De Goey and Wubs, 'US multinationals in the Netherlands in the 20th century', 155-156.

¹¹⁵ De Goey, 'Ford in the Netherlands, 1903-2003', 250-251.

¹¹⁶ Sluyterman and Wubs, *Over grenzen*, 197.

¹¹⁷ De Schipper, *Achter de dijken*, 145-159.

outweighed the disadvantages. Essentially, although the socio-economic climate had changed, the Dutch continued to be interested in attracting American multinationals for reasons of capital, employment, and technology.¹¹⁸

Crisis averted: the Dutch economic and social climate between 1979 and 1985

In the 1970s the process of globalization had begun to reemerge after having been dormant for almost sixty years – the first wave of globalization had come to an end when the First World War broke out. Communication and transportation became faster and cheaper during the 1970s, which made it easier for businesses to operate worldwide. Of particular importance was the global use of containers.¹¹⁹

The bad economic climate in the 1970s pressured continental European nations to follow the American and British lead to transform their coordinated market economy to a liberal market economy – although the continental countries never went as far in this as the two Anglo-Saxon nations. While in the period of 1945 until the mid-1970s multinationals had been willing to adapt their companies to national differences, this had changed by the 1980s. Global strategies became the norm, and it was up to nations to adjust their economies to multinationals, instead of the other way around.¹²⁰

The 1970s had proven to be a rather turbulent economic period in the Netherlands, with the disappearance of the Bretton Woods system, the first oil crisis of 1973, rising unemployment, and thus rising government expenditures on the social security system. Although the Dutch economy had certainly witnessed the effects of the backlashes, the real blow only came after the second oil crisis of 1979, which was followed by a worldwide economic depression. Important consequences of this depression were that the economy had to deal with both declining demand and rising interest rates – because the United States and the United Kingdom introduced much more restrictive monetary policies. While borrowing money had been the most important tool for consumers, companies, and governments to deal with the recession between 1973 and 1979, this had now become less easy. Therefore, the Dutch were hit harder after 1979 than before.¹²¹

The large government expenditures of the mid-1970s were impossible to sustain

¹¹⁸ Sluyterman and Wubs, *Over grenzen*, 183-184.

¹¹⁹ Sluyterman and Wubs, *Over grenzen*, 27-28 and 217.

¹²⁰ Sluyterman and Wubs, *Over grenzen*, 217.

¹²¹ Van Zanden, *Een klein land in de 20^e eeuw*, 227-228.

because of the high interest rates and growing expenses on social security. Therefore, serious budget cuts were necessary to battle the budgetary deficit. The Van Agt administrations (1977-1982) had already moved in that direction, but the first administration of Lubbers (1982-1986) made more far reaching efforts to introduce some serious expense cuts. There would be less money available for civil servants and social services, which had consequences for the income of the elderly, the disabled and the sick. In the long run the aim became broader than just cutting government expenses; lower taxes and a decreasing role of the state were no longer just tools, but had actually become goals themselves.¹²²

The early 1980s were bad years indeed. Companies which had been helped by the government in the 1970s now sometimes had to close down, because the government could not support them anymore, leading to massive unemployment. Between 1980 and 1984 up to 27.000 companies went bankrupt, and as a direct consequence of that 150.000 people lost their jobs.¹²³ The most important differences between the 1970s and the period of 1979 until 1985 were that in the latter period private and government consumption stagnated, and investments seriously declined.¹²⁴

Labor costs were also further studied by unions, employer organizations, and the government. Just like in the period after the war, the aim was to slow down rising labor costs. This resulted in the Agreement of Wassenaar (Akkoord van Wassenaar) in 1982. In this agreement unions accepted tempered wages, employers promised to look at the redistribution of labor by means of shorter working weeks, and the government promised to stop intervening in wage negotiations. The result of the Agreement of Wassenaar was that the rise of nominal wages declined from 6,5 per cent in 1982 to an annual average of 1,7 per cent in the period from 1983 to 1989.¹²⁵

The government took some important measures in the early 1980s to battle the economic crisis. Privatization was accelerated and extended to make state owned companies more efficient and to improve the government budget. After having improved the budget deficit, the government also worked to lower taxes and social contributions, to increase demand. Moreover, to decrease unemployment, access to the social security system was made

¹²² Van Zanden, *Een klein land in de 20^e eeuw*, 228.

¹²³ Pieter Lakeman and Pauline van de Ven, *Failliet op krediet. De rol van de banken in Nederland* (Weesp 1985) 158.

¹²⁴ Van Zanden, *Een klein land in de 20^e eeuw*, 228-229.

¹²⁵ Van Zanden, *Een klein land in de 20^e eeuw*, 229.

more difficult, minimum wages were frozen, and taxes and social security contributions on the lowest wages were reduced. These measures would serve as incentives for companies to hire people from the lowest classes, but also to force unemployed people from those classes back to work.¹²⁶

Although all these changes in government policy could be labeled as radical, they were nonetheless supported by all large political parties. Moreover, unions and employer organizations also agreed with the most important measures. It seems that once again a consensus had appeared.¹²⁷

The turning point of the economic slump was 1982. From 1983 onwards, the economy started to grow again. While the industrial sector had lost quite a lot, the agricultural, and particularly the service sector were the victors. In 1984 there was again an increase in employment.¹²⁸

Throughout the 1980s the government continued to withdraw from the economy. The costs of social security had risen too high and had endangered the international competitiveness of companies in the Netherlands. Too many people were using – or misusing – the social security system. This had consequences. For example, the government decreased the unemployment payment from 80 per cent to 70 per cent of the last salary. Businesses also encouraged the government to decrease the budget deficit, taxes, and the costs of the social security system. The Dutch had again taken the United States as an example, after a short intermission in the 1970s. The American path of liberalization, deregulation, and privatization would now also be followed by the Netherlands.¹²⁹

Clouds with a silver lining: reasons for investments from 1979 until 1985

From the 1980s onwards, more and more developing countries opened their borders for multinationals. These countries could offer much lower wages than a developed nation like the Netherlands. However, the fear that multinationals would all flee to those countries did not prove to be entirely right.¹³⁰ Of course, in some cases it was true, especially if the labor that had to be done was low skilled. Nonetheless, when more complicated skills were needed, the

¹²⁶ Van Zanden, *Een klein land in de 20^e eeuw*, 230.

¹²⁷ Van Zanden, *Een klein land in de 20^e eeuw*, 230-231.

¹²⁸ Sluyterman, *Kerende kansen*, 275.

¹²⁹ Sluyterman, *Kerende kansen*, 274-284.

¹³⁰ Sluyterman, *Kerende kansen*, 287.

Netherlands remained an interesting country to invest in for (American) multinationals, because of the well educated population. Moreover, political stability was also something which many developing countries could not offer. The relatively mild nature of unions made the Netherlands quite attractive as well, especially when social harmony was restored after the Agreement of Wassenaar, which had also resulted in more moderate wages. Add tax incentives and an open European market, which could easily be reached by means of Dutch infrastructure – the Rotterdam harbor, Schiphol airport, and the excellent railways and motorways – and it must be said that the Netherlands was still very attractive for (American) investors.¹³¹ The largest difference with the previous period was that investments started to move in the direction of the service sector, and less in industry.¹³²

Another thing worth mentioning is that in the 1980s popular resentment against the United States was again widespread, as President Reagan intensified the arms race with the Soviet Union, and NATO wanted to place cruise missiles on Dutch territory. Despite this unpopularity with the population, Prime Minister Lubbers was actually inspired by the policies of Reagan, like tax reductions, deregulation, and privatization. Therefore the United States could continue to count on economic and military cooperation of the Netherlands, and the Dutch government more than ever thought it was in its interest to attract (American) multinationals.¹³³

This was demonstrated after the second oil crisis, when the Dutch Ministry of Economic Affairs decided to actively promote investments in the Netherlands by foreign companies, instead of working against businesses as the government had occasionally done in the 1970s.¹³⁴ It created the Netherlands Foreign Investment Agency (Commissariaat voor Buitenlandse Investeringsen, CBIN) which had offices in the most important home countries of multinationals, like the United States, the United Kingdom, Germany, and Japan. In the United States it actually opened multiple offices, in Atlanta, San Mateo, Chicago, New York, and Boston, as the United States were still the most important home country.¹³⁵

In this period Dow was still concerned with the excessive regulation and permits, and it even had to deal with a loss of eighty million guilders in 1982. Nonetheless, it kept on

¹³¹ Sluyterman, *Kerende kansen*, 300.

¹³² Sluyterman, *Kerende kansen*, 246.

¹³³ De Goey and Wubs, 'US multinationals in the Netherlands in the 20th century', 156.

¹³⁴ De Goey and Wubs, 'US multinationals in the Netherlands in the 20th century', 160.

¹³⁵ Sluyterman and Wubs, *Over grenzen*, 244.

growing and the real tough times would only come in the 1990s.¹³⁶ Dow's problems were nothing compared to those of the Ford plant in Amsterdam. In December 1981 it was closed down. High production costs and low sales profits were the main problems. The former was caused, as already mentioned, by high wages – which was especially bad for the car industry as it was very labor intensive – high absenteeism, and high social security contributions. The low sales profits were caused by competition from cheaper cars and trucks, and the low purchasing power of the population due to unemployment caused by the recession. There were also other problems for Ford and the entire car industry which pressed sales, like worldwide overproduction. This had many causes, which will all be explained in detail in the next chapter.¹³⁷

Conclusion

Between 1945 and 1985 the investment climate for (American) multinationals in the Netherlands went through a number of phases. From 1945 until 1963 it was excellent, with few disadvantages. However, from the early 1960s wage levels started to rise quickly, as pressure on the labor market increased. The centrally guided wage policy was therefore abandoned in 1963. Nonetheless, the situation remained quite stable until the late 1960s. In that period, the climate further deteriorated. The peaceful social climate disappeared; there was no longer a consensus between employers, employees, and the Dutch government. In the 1970s the leftist government of Den Uyl even chose the side of employees, while the overall economic climate worsened due to the collapse of the Bretton Woods system and the oil crisis of 1973.

This resulted in some clashes with (American) multinationals and business in general. The growing demands of employees, who earned relatively high wages – which were even more expensive for companies as social security contributions grew – and whose dismissal was very hard because of popular support to the workers, collided with the concerns of employers: profits had dropped due to the recession, and production costs had further increased because of a growing amount of regulation concerning the environment. While labor intensive Ford suffered greatly from high wages, absenteeism, and the high social security contributions, as well as from the oil crisis and the subsequent recession, labor

¹³⁶ De Schipper, *Achter de dijken*, 165-169.

¹³⁷ De Goey, 'Ford in the Netherlands, 1903-2003', 252-253.

extensive Dow Chemical mainly encountered some difficulties with the environmental regulation. It would mean the beginning of the end for the Ford factory, but nothing more than a scratch for Dow.

Nevertheless, all of these problems made employers in general very worried about the future of the investment climate in the Netherlands. At the end of the 1970s, however, the economic climate worsened to such an extent that the government had to make some adjustments to battle the massive unemployment. It looked across the Atlantic Ocean once again to seek guidance. Deregulation, privatization, liberalization, and lower taxes were seen as the key solutions to attract more foreign investors. The Agreement of Wassenaar restored the social harmony between labor, industry, and the government – with the latter moving further away from the economy – and made sure wages would remain on a more acceptable level for companies. Moreover, the social security system was also made less generous to further decrease labor costs.

All in all, it seems that despite relatively high wages, extensive social security contributions, and many regulations, the Netherlands remained a very interesting country to invest in for (American) multinationals throughout the entire period. It served as an entry into the European market by means of its excellent infrastructure. Moreover, the population remained well educated and had a proper knowledge of languages, in particular of English. Furthermore, tax incentives and subsidies made it even more attractive to invest there. Even when the Dutch government more or less chose the side of employees in the 1970s, it nonetheless kept the door open for investors, who continued to use it despite their unpopularity with the population at some moments. In the end, renewed social harmony, and reforms to decrease labor and production costs really restored the positive investment climate of the Netherlands. The country itself also remained very much interested in attracting (American) multinationals for capital, labor, and technological and organizational knowledge, despite a sometimes hostile attitude amongst the population towards multinationals and the United States in general.

The drive from Detroit to Amsterdam vs. the chemistry between Midland and Terneuzen

This chapter will focus on the differences between Ford and Dow Chemical. With the help of these distinctions, the dissimilar power relations between the two multinationals, and the Dutch government will be explained in the next chapter. Some expected effects of the differences for the power relations will, however, already be assessed in this chapter.

Three areas of dissimilarity will be studied: 1. Location. 2. Sector of the economy. 3. Corporate strategy. The difference in location hardly needs explanation; the Ford assembly factory was located in the large city of Amsterdam, while the Dow plant was set up in one of the most rural areas of the Netherlands: Terneuzen, in Zeeuws-Vlaanderen, Zeeland. This led to many important contrasts, particularly as far as employment issues were concerned. The distinct development of the automobile- and chemical sector will, however, also provide important insights into the power relations. Lastly, corporate strategy from the headquarters in the United States must be taken into account, which will also be linked to the fact that Dow opened its subsidiary thirty years later than Ford. This meant that the corporate strategy was defined in an entirely different context, on which I will elaborate below.

An automobile assembly factory in a relatively affluent, but turbulent city

The American automobile industry has had trouble throughout the entire research period, because most national governments tended to protect their domestic automobile industry. In the case of Van Doorne's Aanhangwagenfabriek (DAF) in the Netherlands this protection went quite far and led to some conflicts with Ford. Governments generally tended to protect their domestic car brands partly as a matter of prestige: the will to create "national champions". However, a more important reason was to make sure that poorly educated people remained employed, especially when the (Dutch) automobile industry experienced heavy setbacks in the 1970s.¹³⁸

Perhaps not surprisingly, this protection resulted in a lot of problems for Ford. Needless to say, Ford was not a Dutch company, and would therefore not be seen as a national champion. Rather, DAF was the flagship of the Dutch automobile industry. Besides the fact

¹³⁸ Sluyterman and Wubs, *Over grenzen*, 196.

that DAF was Dutch, there were three other important reasons for the Dutch government to favor DAF over Ford. Firstly, the Dutch government started closing down the coalmines in Limburg from 1965, which led to a troubling level of unemployment in that region. Therefore, The Hague offered DAF, which had a production plant in Eindhoven, substantial subsidies if it would open a new factory in southern Limburg. DAF decided to accept the government's offer, and opened its car factory in Born, southern Limburg, in 1967.¹³⁹

Ford's location in the capital should then have had some consequences for its power relation. Although Amsterdam of course was not that rich that the dismissal of more than a thousand employees would go unnoticed, it would not be such a large problem as in Limburg, where unemployment was already very high due to the closure of the coalmines. This gave Ford's competitors in those kind of areas – in this case DAF – much more leverage in its relation with the government – although this was of course only true from 1967. It could nonetheless be argued that Ford could have been more dominant in its relation with the government, if it would have settled in an area with more employment problems – like Dow did in the south of Zeeland.

Secondly, the government favored DAF because of a quite simple reason: it had shares in the company. The fully government owned Dutch State Mines (DSM) took a minority share of 25 per cent in the new factory in Limburg in 1966. That share would fluctuate after Volvo bought a majority share of 75 per cent in the DAF passenger car factory in 1975. The Limburg factory would be called Volvo Car from that moment onwards. In the next chapter I will elaborate on this.

The third reason why the Dutch state preferred DAF over Ford, was because DAF was a completely integrated company. This meant that they spent more money on parts in the Netherlands, and imported less. Perhaps most important though, is that DAF could also offer far more jobs because of the fact that it was an integrated car manufacturer, something which was not true for the assembly factory of Ford.¹⁴⁰

The fact that Ford only had an assembly factory created some more problems for the company, and will continue to play an important part in this story. For one, an assembly factory does not require a lot of educated personnel, as difficult jobs like research and

¹³⁹ Sluyterman and Wubs, *Over grenzen*, 196.

¹⁴⁰ National Archives, The Hague, Ministry of Economic Affairs: Central archives, access number 2.06.087, inventory number 1104, Director-General for Industrialization, *Report on the difficulties at Ford*, February 15th 1952.

development were done outside the Netherlands. This should have in fact weakened the position of the Dutch government, as Ford could easily threaten to go elsewhere, since uneducated personnel is abundant throughout the world.¹⁴¹ It was because of the faith in the future of DAF that the Dutch did not always worry too much about the threats of Ford, as will be shown in the next chapter.

Another important thing that must be noted is that an assembly factory does not have many sub-contractors. Most of the things that such a factory needs are imported and thus not purchased in the Netherlands. Ford thus had few sub-contractors in the Netherlands and therefore little effect on indirect employment. This should have weakened the position of Ford as its threats to leave would be less impressive because the effects were quite easily estimated: the personnel of the factory would become unemployed, but that would be all.¹⁴² As will be mentioned below, if Dow were to leave Zeeuws-Vlaanderen, the consequences would be much worse.

It thus seems that Ford had a tough competitor in state-backed DAF with its fully integrated factory. This government protection of DAF had far-going effects like worsening the overproduction of cars in the Netherlands, which already was a general problem in the automobile industry. When in 1973 the oil crisis emerged, this grew even worse because gas prices soared and people would drive less. Moreover, unemployment rose and purchasing power went down, and then car sales dropped.¹⁴³

Finally, when it seemed that the sector in which Ford operated could not be less attractive, a very fierce competitor entered the field: the Japanese. These car manufacturers from the Far East not only offered much cheaper cars than their American and European counterparts, but they were often also better and more reliable. All in all, the (Dutch) automobile sector harbored a lot of tough competition for Ford.¹⁴⁴

Although the location of Ford in Amsterdam has already been discussed shortly by mentioning that there were fewer employment issues than in Limburg and Zeeland, and that this weakened the position of Ford, it is interesting to also shortly focus on the role of unions in Amsterdam. While unions might not directly affect the power relation between the

¹⁴¹ Duncan Ross, *Interview*, March 14th 2011. See website Business History @ Erasmus: http://www.erim.eur.nl/ERIM/Research/Centres/Business_History/News/News_Detail?p_item_id=6818056&p_pg_id=93#axzz1OKZNirMx. Consulted on July 28th 2011.

¹⁴² De Goey, 'Ford in the Netherlands, 1903-2003', 255.

¹⁴³ Sluyterman and Wubs, *Over grenzen*, 197.

¹⁴⁴ Sluyterman and Wubs, *Over grenzen*, 197.

company and the government, it does have some indirect consequences. In Amsterdam in the 1970s, unions were relatively powerful. When the closure of the Ford factory became more imminent, they actually occupied the works twice.¹⁴⁵ Dow hardly had this problem, which will be shown below. It could well be argued that a strong and militant union in fact weakens the position of a government, as it could be seen as a locational disadvantage by a company – American companies especially have a general disliking for unions. If a multinational thus notices that a certain country or region has a strong union, they might decide not to come, or even leave – although it is not certain that this was an important reason for Ford to leave. To find out, one would have to check the board minutes, to which I did not have access.¹⁴⁶

Strategy from Detroit

As the automobile sector and the location of Amsterdam have now been covered, it is time to take a look at the corporate strategy in Detroit. When European economic integration really got underway from the end of the 1950s onwards, Ford adapted its strategy to this development. In 1967 Ford of Europe (FOE) was created. From this new European headquarters in England, FOE had to integrate Ford's European activities. Moreover, it had to link the British and German subsidiaries more closely together, especially the production and marketing divisions. Ford continued this strategy well into the 1970s, which had some negative consequences for a few of their subsidiaries. The British plant especially lost part of its importance, while the German affiliate found itself increasingly in the spotlight. Ford also started to produce smaller cars, which was what the European buyer wanted. Furthermore, from the 1970s, the company wanted to concentrate more on southern Europe as well, to open up markets there. Therefore, they opened up large plants in Bordeaux-Blanquefort, France and Valencia-Almussafes, Spain. Ford was the leading European automobile company by the early 1980s.¹⁴⁷

All of this meant the transformation of Ford into a transnational instead of a multinational corporation. As explained earlier, this means that a company no longer simply creates smaller copies of itself abroad, which can more or less survive on their own. Instead,

¹⁴⁵ De Goey, 'Ford in the Netherlands, 1903-2003', 255-256.

¹⁴⁶ Not for a lack of trying though. I contacted Ford Netherlands, Ford Motor Company, and the Ford Benson Research Center, but none of them could tell me where the management archives are located.

¹⁴⁷ H. Bonin, Y. Lung and S. Tolliday (red.), *Ford. The European history 1903-2003* (Éditions P.L.A.G.E.; Paris 2003) Vol. 1, 16-17.

in transnational enterprises, not every subsidiary in every host country has production, management, marketing, and research and development departments. These parts of the company are based in only one or a few countries and from there they take care of the entire – in this case European – enterprise. Only legal affairs, public relations, services, and sales are locally organized and thus present in every host country. As transnational companies care less about national borders than multinationals do, they can decrease the power of national governments.¹⁴⁸

In the 1980s things got difficult, however, because of Japanese competition. This led to a new strategy of global integration and restructuring on the European level, often at the cost of small national subsidiaries. Only at the end of the 1990s, this strategy was reconsidered, as the results were not very positive.¹⁴⁹ This was too late for the Ford works in Amsterdam however.

The renewed global strategy of the 1960s did not envisage an indispensable role for the relatively unimportant assembly factory in Amsterdam. The assembly factory had been built in the 1930s to avoid import duties, as tariffs on cars which still had to be assembled – so-called completely knocked-down vehicles – were lower than those on already assembled cars – so-called completely built-up vehicles. At the same time, however, the Dutch market was thought of as being too small to justify an entire production facility. In those days, European integration was an idea which was preserved to some intellectuals, but certainly was not a widely accepted vision for the future. Therefore, the Ford Motor Company did not see the Netherlands as a gateway to Europe in the 1930s, like Dow thirty years later would. The European market did eventually integrate, and in 1968 tariffs had been eliminated between EEC countries. The role of assembly factory was not very functional anymore, certainly when wages started to rise quickly as well in the Netherlands. Cars could now easily be assembled cheaper somewhere else, and be transported to the Netherlands without worrying about import tariffs. Transportation costs also began to decline in that period.¹⁵⁰

It could be argued that the factory was not performing very well, and that closure was thus not really a strategic choice, but a logical one. However, that is only part of the story. When in the 1970s Ford Amsterdam wanted to reconstruct the works, it had to use a bank

¹⁴⁸ Drucker, 'The global economy and the nation-state', 167-168.

¹⁴⁹ Bonin, Lung and Tolliday, *Ford. The European history 1903-2003* Vol. 1, 17.

¹⁵⁰ De Goey, 'Ford in the Netherlands, 1903-2003', 258-259.

loan. FMC did not want to issue new shares, as that would have weakened their control. They could also not buy the new shares themselves, because FMC wanted to use their money to invest elsewhere in Europe (Valencia amongst others) and America. Ford Netherlands' own reserves were not sufficient, as increasingly higher dividends were being paid to Detroit ever since FMC had taken over the shares of Ford of England in 1949. It was on an average of 9.8 per cent before 1962, and on an average of 25 per cent between 1962 and 1971 – with peaks of 34 per cent in 1969 and 1970. These peaks would also be seen in 1972, 1973, 1976 and 1977. It must be said though, that in years without profit, no dividend was paid either – with the exception of 1971. The Commercial Court would then also decide in the case brought by the trade unions, that Ford Netherlands' reserves had not been depleted by FMC, nor had there been profit skimming. Nonetheless, the necessity of a bank loan to finance the reconstruction in the early 1970s resulted in very high interest payments, which weakened the financial health of the Amsterdam plant. The question remains whether this has been a conscious strategy of Detroit, as to get rid of the Dutch subsidiary. It cannot be proven that this was the case. However, the fact that FMC would rather invest elsewhere instead of issuing and buying new shares of Ford Netherlands, does show that the assembly works in Amsterdam did not particularly have priority for Detroit.¹⁵¹

A large chemical company in a slightly poor, but peaceful region

Some trends can be described when it comes to the development of industry in general, and the chemical sector in particular in the Netherlands between 1960 and 1985. Although trade and distribution were dominant as far as the number of foreign subsidiaries were concerned, it must be noted that when it came to employment, industry remained the most important. Moreover, foreign industrial employment was most important in the oil- chemical- and machinery industry.¹⁵²

From the 1970s onwards investments in industry in the Netherlands started to decline. Oil refineries and chemical companies did remain strong, however, and accounted for more than half of the investments in industry, and also represented the sectors with the highest returns. American and British companies were dominant in those two sectors, with the

¹⁵¹ De Goey, 'Ford in the Netherlands, 1903-2003', 245-246 and 254-259.

¹⁵² A. Loeve, *Buitenlandse ondernemingen in regionaal perspectief: vestigingstrategieën en regionale effecten van buitenlandse bedrijven in Nederland* (Utrecht 1989) 49 and 244.

Americans clearly acquiring the highest returns. Research and development was particularly important for the chemical sector in the Netherlands.¹⁵³

The chemical sector was dominant in the Zeeuwse economy, and even more in the economy of Zeeuws-Vlaanderen. Within this chemical sector, Dow Chemical was by far the largest and most influential company.¹⁵⁴ This was partly due to the number of employees it had and its large profits, but its influence also worked in a more subtle way. To begin with, Dow worked with many temporary workers. Especially in times when it built new factories there of course were many temporary employees. This had the effect that Dow had a large influence on the indirect employment on the regional level, and even on the national level.¹⁵⁵

This influence was even larger due to the impressive number of sub-contractors which flocked around Dow Chemical's activities: building contractors, suppliers, construction companies, design agencies, transportation businesses, and project developers to name but a few. In the 1990s it became clear just how dependent these businesses were on the welfare of Dow; many of them went bankrupt or had to fire many employees when Dow's growth halted.¹⁵⁶

As already mentioned, Dow Chemical had many reasons to settle in Terneuzen, such as the fact that this location had all the logistical benefits of large harbors like Rotterdam or Antwerp, but not the downsides like congestion. Moreover, Terneuzen is located between the petrochemical industries of Rotterdam and Antwerp, so that both harbors were able to deliver raw materials and semi finished products through a pipeline. A well educated population was also useful, as working in the chemical sector is more complicated than working in an automobile assembly plant. Furthermore, Terneuzen was selected as a developmental area by the government, which led to financial support – already up to four million guilders in 1965 – and infrastructural projects by the government. There was also abundant room for potential expansions.¹⁵⁷

However, it were the less obvious advantages which present the largest contrasts with Ford. Because of the mechanization of the agricultural sector, many people had lost their jobs.

¹⁵³ Loeve, *Buitenlandse ondernemingen in regionaal perspectief*, 244-246.

¹⁵⁴ Paul Brusse and Willem van den Broeke, *Provincie in de periferie. De economische geschiedenis van Zeeland, 1800-2000* (Utrecht 2005) 345-246.

¹⁵⁵ Economisch Technologisch Instituut voor Zeeland, *De indirecte werkgelegenheidseffecten van de chemische industrie, in het bijzonder van Dow Chemical (Nederland) B.V. in Terneuzen* (Middelburg 1978) 6-7.

¹⁵⁶ De Schipper, *Achter de dijken*, 159 and 173.

¹⁵⁷ Brusse and Broeke, *Provincie in de periferie*, 340-342.

The average annual income in the Terneuzen area in 1960 was about 2250 guilders, well below the national average of 2410 guilders. Between 1947 and 1960, employment growth in industry in Zeeland was only 20 per cent, while the national number was 31 per cent. Over a thousand workers commuted daily to Rotterdam or weekly to IJmuiden. Those going to Rotterdam were sometimes away from home over fifteen hours a day. In 1959 there was a change of policy in The Hague. Priority was no longer just solving employment issues in general, but also to spread industrial activity throughout the country. Terneuzen was one of the towns that was chosen to become a development area, which meant that companies which had an interest in settling in the Netherlands might be referred to Terneuzen by the Ministry of Economic Affairs. Moreover, Terneuzen was allowed to offer industry ground for half the price; the national government would subsidize the remaining part.¹⁵⁸

Dow was the first large industrial employer in the region, which meant that there hardly was any union organization. The American company faced the Dutch Catholic Union (NKV), which would later merge into the Federation Dutch Labor Movement (FNV). The latter was also the largest party in the occupation of the Ford factory in 1981. Even though Dow and Ford faced the same industry union, the FNV section in Zeeland was not nearly as powerful as their branch in Amsterdam. Dow Terneuzen thus had quite a lot of freedom as far as its labor policies were concerned, because on the one hand the unions did not bother them too much, and on the other hand the government was so concerned with employment in that difficult region, that they were eager to listen to Dow's demands.¹⁵⁹

One of the criteria of Dow Chemical to settle somewhere was that they would function as an engine of the regional economy. The idea behind this was that if Dow settled in a small community, colleagues would also be neighbors, and in that way employees would form a social community which was confounded with the company.¹⁶⁰ While this may have been the ideology behind it, in practice the strategy mainly provided an indispensable role for Dow in the dependent region of Zeeuws-Vlaanderen.

Nevertheless, the chemical sector had to deal with environmental activists more and more from the 1970s onwards. Dow was no exception to this rule and had to learn how to cope with environmental activists on both a regional and a national level. However, their

¹⁵⁸ De Schipper, *Achter de dijken*, 64-65 and 71.

¹⁵⁹ Brusse and Broeke, *Provincie in de periferie*, 340-342.

¹⁶⁰ De Schipper, *Achter de dijken*, 84 and 123.

public relations department was helped by reports from the Dutch government, which argued that Dow was one of the cleanest chemical companies in the Netherlands.¹⁶¹

One very important point to be kept in mind is that American and European chemical companies did not have to deal with the same kind of “unequal” competition as the automobile sector had to. The latter was confronted from the second half of the 1970s with Japanese cars which were cheaper and sometimes also better than their American and European counterparts. This was a very large problem, which chemical companies did not have to face.¹⁶²

Dow did face a challenge when it came to a government supported competitor: Dutch State Mines (DSM). When the Nederlandse Staatsmijnen (Dutch State Mines) started closing down its coalmines in Limburg from the 1960s until the early 1970s, the government decided to stimulate the development of petrochemical industry in Limburg, to prevent massive unemployment. DSM would keep its name, but was transformed into a chemical company. The company already had some experience with chemical industry, but the process was now accelerated, and the transformation was complete after the last coal mine was closed down in 1973. The most important difference between DAF/Volvo Car – Ford’s state-backed competitor – and DSM was that DAF/Volvo Car had never been fully government owned, which will be explained later. DSM was in fact fully owned by the Dutch state until 1989, and would sometimes have conflicting interests with Dow, as will be shown in the next chapter.¹⁶³

Midland’s strategy

The corporate strategy of the headquarters of The Dow Chemical Company, located in Midland, Michigan, was quite different from Ford Motor Company’s strategy. Dow Chemical was relatively late to invest in Europe, but when the economic integration became clear, they were determined to take full advantage of it.¹⁶⁴ The European Common Market really made it possible for Dow to select Terneuzen as the location for its first large European plant, and not

¹⁶¹ De Schipper, *Achter de dijken*, 151.

¹⁶² Brandt, *Growth company*, 381.

¹⁶³ Sluyterman and Wubs, *Over grenzen*, 196-200 and see official website of DSM: http://www.dsm.com/en_US/cworld/public/about/pages/dsm_history_timeline.jsp. Consulted on August 11th 2011.

¹⁶⁴ De Schipper, *Achter de dijken*, 119.

Germany. The small Dutch market did not bother them, as they were convinced that the Common Market would allow them to export to the rest of Europe without any problems.¹⁶⁵

Nonetheless, a logical question would still be why Dow did not choose Germany as a site for its first production plant. After all, Germany had a far larger consumer market and a very extensive chemical industry – Bayer, Hoechst, and BASF, amongst others. Other chemical companies were the most important customers for Dow Chemical, so it would have seemed wise to simply settle next to them in Germany. However, when Dow first came to Terneuzen, they were really a newcomer in the European market. They still had a lot to learn. Therefore, they were quite happy to play in their own league and meanwhile observe the German market for a while, to see how the big guys played the game in Europe.¹⁶⁶

Between 1967 and 1976 sales for Dow in Europe increased with a 1000 per cent from 150.8 million dollars, to 1.5 billion dollars. 85 per cent of these sold products were produced in Europe. The number of employees had risen from 2000 to 11.600, in fourteen European countries. So by the 1970s, Dow had become a big European player as well. Only then – even though Dow had already opened up small subsidiaries in Germany – they decided to open a large chemical complex in Stade, Germany, in 1972.¹⁶⁷

To come back to the Netherlands. The Dow Chemical Company's strategy envisaged a central role for the Terneuzen plant in the entire Dow network in Europe. Therefore, the site could not easily be missed.¹⁶⁸ It was not just an assembly plant like Ford Amsterdam was, but it was an integrated complex, including laboratories and a large research and development department. Should the plant have been closed at one point, it would have had to be built somewhere else; it could not just disappear like the assembly factory of Ford could. Dow Terneuzen would become the largest Dow production location outside of the United States, and would – together with the subsidiary at Stade – be the most important production site of The Dow Chemical Company in Europe. Together, they formed the nerve system of Dow's European strategy.¹⁶⁹ Such a dependency on Terneuzen could have worked in the favor of the Dutch government; if Dow would have had to move, it would have been very expensive. Much more expensive than to move or close down a mere assembly factory. Therefore,

¹⁶⁵ Brandt, *Growth company*, 380.

¹⁶⁶ Sluyterman and Wubs, *Over grenzen*, 191-192.

¹⁶⁷ Brandt, *Growth company*, 411-412.

¹⁶⁸ Brusse and Broeke, *Provincie in de periferie*, 340-342.

¹⁶⁹ Brandt, *Growth company*, 412.

Dow's corporate strategy could have potentially weakened its position vis-à-vis the Dutch government, as Dow really needed the Terneuzen complex.

Conclusion

There are important differences between Ford and Dow Chemical when it comes to location, sector and corporate strategy. This most likely had consequences for their power relations with the Dutch government. In Terneuzen employment was a larger problem than in Amsterdam, which should have benefited Dow's position. Moreover, because Dow Terneuzen was a large production plant, and not just an assembly factory which imported most of its products, it had many more temporary workers and sub-contractors. Dow's effect on indirect employment was thus much greater than Ford's, which was again likely to increase Dow's leverage, certainly as it was already based in such a vulnerable region. The fact that Zeeuws-Vlaanderen did not have militant unions could have worked in the favor of the Dutch government, as they did not have to worry that these unions would scare Dow away. It cannot be proven that this happened with Ford in Amsterdam, but it is likely that it did help FMC decide to leave.

As far as the sector is concerned, Dow seemed to have the best cards. The chemical sector was largely healthy until the 1990s. Within this sector Dow was particularly successful, and was not heavily influenced by events like the oil crisis of 1973. This could not be said of the (American) automobile industry. It had to deal with overproduction, Japanese and European competitors – of which the Japanese in particular were very strong – and the oil crisis hit the sector hard by increasing unemployment, and thereby lowering demand for cars. A last difficult aspect for the car industry was the protection of DAF by the Dutch government. Although it could be argued that problems for Ford would be particularly stressful for the Dutch government, as it had many uneducated workers in its service, this proved to be a false assumption. The Dutch government put more trust in DAF because of many reasons, of which the most important one was the fact that DAF would directly and indirectly employ more people as it had a complete production line, and was not just an assembly factory. Moreover, from 1967 DAF was located in a more troublesome region than Ford, and the Dutch government had shares in DAF. As the Dutch government favored DAF to Ford even in more difficult periods like the 1970s, the position of Ford vis-à-vis the government could not be very strong. Dow Chemical was very successful and was a complete

production plant, thus potentially acquiring a more powerful position than Ford. Although Dow also had a state-backed competitor in DSM, and this could have weakened the former's position.

When it came to corporate strategy the story is interesting as well. Ford Motor Company started caring less and less about Ford Amsterdam when European integration got underway. A sheer assembly factory was very useful for a small Dutch market when import duties were still important during the 1930s and directly after the war, but when those started disappearing during the 1960s and 1970s, the Amsterdam works lost their attractiveness, especially when wages started to rise quickly as well. When FMC took its transnational ideal further and further – through the creation of Ford of Europe in 1967 – their interest in the Amsterdam plant dropped. When the results of that factory became increasingly bad – partly the result of FMC's strategy – Detroit decided it was time to shut down the plant. It cannot be proven that FMC deliberately weakened Ford Netherlands, but this was a consequence of the fact that FMC decided to invest elsewhere.

The Dow Chemical Company had quite a different strategy. Drawing up its plans thirty years later, it had already taken European integration into account. Dow Terneuzen was supposed to serve the entire European market, and was certainly not just intended to be a relatively insignificant pawn in a large European strategy. On the contrary, Dow Terneuzen would be one of the most important pieces in Dow's European strategy. This did make Dow much more immobile than Ford, as Dow would not be able to simply close down the Terneuzen plant without a very expensive replacement. Ford did do just that in 1981. When it thus came to corporate strategy, Ford Motor Company should have been able to play a tougher hand versus the Dutch government than The Dow Chemical Company could.

As far as location and sector were concerned, Dow Chemical should have had a stronger bargaining position than Ford. Being a large, healthy production plant in a region with considerable employment problems should have made Dow strong. While an unhealthy assembly factory, in a region with lesser employment problems, and with "unequal" competitors from the Far East and a state-favored one from a difficult region, should not come out too strong. At the same time, it must be kept in mind that these were subsidiaries from a multinational, and that even though the subsidiary was not likely to have much leverage vis-à-vis the Dutch government, this did not automatically mean that the headquarters in the United States was powerless as well.

One government, two multinationals, six cases

Up until now, the context has been explained and some theoretical expectations have been formulated about the power relations between Ford and Dow Chemical, and the Dutch government, based on the differences between the two multinationals. The time has come to address a few cases, analyze them, and find out whether they correspond with the expectations.

Ford Amsterdam – 1950s

In 1950, when the Second World War and its consequences were very much alive in the Netherlands, the first conflict between Ford and the Dutch government appeared. This conflict had to do with both the consequences of the war, but also very much with the vision the government had for the future.

The war kept ringing in Dutch ears for many reasons. One important aftereffect was the shortage of dollars. For Ford this was particularly difficult. The factory in Amsterdam was for assembly purposes only, and this meant that many parts had to be imported from abroad. As Ford was an American company, they retrieved most of their parts from that country, which of course had to be paid for in dollars. Therein lay the first problem area between the government and the multinational. The Hague did not want to grant Ford too many dollars, which caused a limitation on production for Ford. When the latter complained about this, The Hague did try to help them a bit, but mainly argued that if Ford could not import parts from Detroit, they would be wiser to acquire them elsewhere, preferably from the Netherlands, like DAF did.¹⁷⁰

Especially this suggestion hit a nerve at the Ford factory, because it showed the agenda of the government. Although this has already been explained in the previous chapter, a short recap might be useful. The Hague preferred a full automobile industry to an assembly factory because of a number of reasons: more employment, the employment of poorly educated people, more money spent on parts in the Netherlands – and thus also less dollars used – and more sub-contractors in general. Moreover, DAF was favored for other reasons as well, such as the fact that The Hague wanted to create a prestigious national champion.

¹⁷⁰ University of Amsterdam, UBA Book depot (IWO), *Ford annual reports*, 1948-1953.

The subsequent protection of DAF could be noticed from the late 1940s into the 1950s, and became an increasingly hot issue. Two matters were of particular importance for Ford: the limitation set by the government on the imports of truck parts in the weight class of 3,5-7 tons – to protect DAF in this class, but also because it cost too many dollars and decreased the number of parts bought in the Netherlands – and the fact that DAF had received a very large part of orders from the military, while Ford had not been given any.¹⁷¹

Ford got quite angry about this after a while, which it showed through official letters, but also to the press. In a letter to the Minister of Economic Affairs, the director of Ford Netherlands, C.G.F Stenger, mentioned both issues. He argued that the protection of DAF in the truck market would prove to be fruitless and economically impossible, notwithstanding that the government protection would actually cause great harm to Ford's position. Moreover, Stenger was greatly displeased with the fact that the long-standing relation between the Dutch military and Ford was sacrificed for DAF. This was not only unfair, but also a very stupid move according to Stenger, as there would be no spare parts for DAF vehicles outside the Netherlands in times of war. Stenger then threatened to drastically decline the number of employees at the Amsterdam plant, and mentioned that he had even contacted headquarters in Detroit about this matter, which could lead to closure for the entire plant.¹⁷²

In *De Volkskrant* of 9 December 1950, Stenger explained that the Dutch market was too small for a complete car- and truck production plant, and the European market was not yet integrated. Moreover, exports would not work, because the competition would be too fierce. Nonetheless, DAF was protected to produce these trucks. Moreover, the Rotterdam car maker Kaiser Frazer got permission to use US dollars, while Ford had just adjusted its factory to be able to import more from European countries and thus not spend too many dollars, and Ford was even buying an increasing amount of parts in the Netherlands. Stenger was very upset about all of this.¹⁷³

A year later Stenger would use the same threatening tone he had used in his letter to the Minister, to the press as well – in his interview with *De Volkskrant*, as described above, he had remained relatively calm. In newspaper *Het Vrije Volk* he explicitly mentioned that Ford

¹⁷¹ NL-HaNA, EZ / CA, 2.06.087, inv.nr. 1104, Director-General for Industrialization, *Report on the difficulties at Ford*, February 15th 1952.

¹⁷² NL-HaNA, EZ / CA, 2.06.087, inv.nr. 1104, C.G.F. Stenger, *Letter to the Minister of Economic Affairs*, November 15th 1950.

¹⁷³ NL-HaNA, EZ / CA, 2.06.087, inv.nr. 1104, *De Volkskrant*, December 9th 1950.

could not replace the disappointed sales in the car division with increased production of trucks – like they normally did – because the government would not allow this. The fact that they did not receive military orders anymore made it even worse. Moreover, he again mentioned that Ford used many more parts from Europe and the Netherlands these days, like The Hague had wished, but that they saw little gratitude in return. He said that all of this would lead to dismissals of up to 250 employees or could even lead to closure of the entire plant. Its activities would then be taken over by the Antwerpen plant, as the Belgian government was much more lenient.¹⁷⁴

Stenger's statements in both an official letter and in the press were quite an aggressive strategy of an unhappy Ford. Were they, however, successful, and – most importantly for this thesis – did it improve their bargaining position? For some it was a very frightening strategy, like P. Kerstens. He was a member of the Senate for the Catholic People's Party (KVP) from 1946 until 1952. In a letter to the Minister of Economic Affairs, J.R.M. van den Brink, Kerstens expressed his deep concerns about the situation. He did not think protecting DAF was the right policy, as he believed that DAF could not be successful within the small Dutch consumer market, and that the possible dismissals with Ford Amsterdam would not be worth it. Kerstens furthermore said that he had heard high Ford staff members from Detroit threaten to contact the US State Department, with all the possible consequences for its relationship with the Netherlands.¹⁷⁵

However, Kerstens' fears were not generally accepted. Moreover, many were of the opinion that the production of DAF trucks could in fact become profitable within the small Dutch consumer market, as you had to produce less units to make profits than with passenger cars.¹⁷⁶ In the eventual report on the issue it was decided that DAF should try to help Ford Amsterdam where it could, by letting them produce certain parts, amongst others for military vehicles. Although this was a kind of compromise made by the government, the report left no doubt about the fact that DAF deserved priority and was more important for the employment of the Dutch people and the success of the Dutch economy than Ford. The reasons given were that DAF would be a complete production plant with more employees, and more parts bought

¹⁷⁴ NL-HaNA, EZ / CA, 2.06.087, inv.nr. 1104, *Het Vrije Volk*, January 8th and 9th 1952.

¹⁷⁵ NL-HaNA, EZ / CA, 2.06.087, inv.nr. 1104, H.P. Kerstens, *Letter to the Minister of Economic Affairs*, November 19th 1950.

¹⁷⁶ NL-HaNA, EZ / CA, 2.06.087, inv.nr. 1104, Director-General for Industrialization, *Note to the Minister of Economic Affairs, reaction to letter H.P. Kerstens*, December 7th 1950.

and produced in the Netherlands. Moreover, DAF would import less and export more, thus achieving a better exchange balance. The report also stated that the largest problem with Ford was its flawed sales in passenger cars, which would not be solved with just a higher production of trucks – that would only offer very limited work.¹⁷⁷

Despite the limited results, Ford seemed to have been more or less content with the mentioned measures. The annual reports showed that the import restrictions on trucks were completely gone by 1953, and from that same year onwards Ford started to receive some military and governmental orders as well.¹⁷⁸

Finally, something must be said about the power relation. It seems quite clear that the Dutch government had the upper hand. Although The Hague did compromise to some extent, Ford was not really able to scare them – with the exception of Kerstens. Ford's threats were quite clear, but did not lead to a 180 degree turn by the Dutch government. The latter's expectations of DAF were very optimistic, and therefore they favored that company over Ford, causing Ford to lose a part of its bargaining position.

Ford Amsterdam – closure

The assembly works of Ford in Amsterdam came to an end in 1981. However, some notable events took place before this happened. For example, as mentioned in the previous chapter, the factory was occupied twice by the unions. Moreover, there also were some contacts between the company and the government in the months before closure. Two events were particularly important. Firstly, from March 1981 the government refused to provide further payment for the reduction of working hours.¹⁷⁹ Secondly, the director of Ford Amsterdam, Laurent, asked for the financing of new activities – the production of heating systems – by the government, because Ford could not possibly pay for that themselves. It amounted up to 110 million guilders for the new investments, 82 million for current losses – to be covered by the government until the production of the heating systems would start – and a yearly contribution of 12 – 20 million guilders.¹⁸⁰ The government refused to honor this request as

¹⁷⁷ NL-HaNA, EZ / CA, 2.06.087, inv.nr. 1104, Director-General for Industrialization, *Report on the difficulties at Ford*, February 15th 1952.

¹⁷⁸ UvA BD, *Ford annual reports*, 1950-1956.

¹⁷⁹ International Institute for Social History and Dutch Economic History Archives, Amsterdam, *Ford annual reports*, 1980-1981.

¹⁸⁰ IISH and DEHA, Archives works council Ford Netherlands, G.K.L. Laurent, *Letter to the Minister of Economic Affairs*, March 24th 1981.

well, in April 1981.¹⁸¹ The argument of Minister of Economic Affairs, Gijs van Aardenne, was that the Dutch government should not have to pay for the problems of a multinational like Ford, which had just created an investment fund of fifty billion guilders themselves.¹⁸²

Van Aardenne, member of the liberal right-wing party (VVD), furthermore stated that Ford's policy was unacceptable. The upcoming closure of the factory was frowned upon by many other politicians as well. Social-democrat (PvdA) and former Prime Minister Joop den Uyl did not even want to speak to the management of Ford. The CDA, an important party in the center of the political spectrum, condemned Ford's behavior during their party congress. It must be noted that the closure of the Ford factory was a very hot issue amongst the population and that these statements by politicians were made a few weeks before national elections would take place. Eventually, there was in fact little the government actually did to change the plans of Ford Motor Company (FMC) in Detroit.¹⁸³

Therefore, at first glance it would seem like the government had a very tough attitude towards Ford, by refusing to help them in any way, and condemning their policy and behavior. At the same time, it could well be argued that the lack of help did not bother FMC; the refused government assistance was actually presented by FMC as an additional confirmation that there were no viable alternatives to closure.¹⁸⁴ The Dutch government and Ford Netherlands were the losing parties if you look at it this way; the government lost employment, Ford Netherlands lost its assembly factory. FMC did not lose much, as Detroit could easily continue its European strategy without the Dutch assembly factory. As explained in the previous chapter, European economic integration and the disappearance of import duties, and high labor costs in the Netherlands did not make the Dutch subsidiary very attractive anymore, certainly when the subsidiary's results were getting worse as well.¹⁸⁵ The view that The Hague could not take a strong position towards FMC is confirmed by what the next Minister of Economic Affairs, Jan Terlouw, said. He mentioned that this kind of nonsense – that is, the unions protesting this hard – should not occur again, as it would be bad

¹⁸¹ IISH and DEHA, AWC, Ford Nederland N.V., *End report of the management*, August 1981, B – 22.

¹⁸² Pim van den Bos and Piet Leenders, *Een meneer in Amerika. Herinneringen aan 14 jaar ondernemingsraadwerk bij Ford-Nederland* (Baarn 1987) 114.

¹⁸³ Bos and Leenders, *Een meneer in Amerika*, 113-115.

¹⁸⁴ IISH and DEHA, AWC, John McDougall Executive Vice President Ford Automotive Operations (FMC), *Letter to the Ford Netherlands works council*, October 21st 1981.

¹⁸⁵ De Goey, 'Ford in the Netherlands, 1903-2003', 258-259.

for the Dutch investment climate.¹⁸⁶ The director of Ford Europe, R.A. Lutz, confirmed this concern in an interview.¹⁸⁷

It thus seems clear that FMC was least harmed in this case. While this may have been true, one aspect must still be explained. That is the fact that The Hague did actually help Ford's competitor, Volvo Car, with assistance amounting up to 195 million guilders in 1978 – roughly the same amount Ford Netherlands had asked for. If you look at the Ford case by itself, it can well be explained why Ford did not receive the assistance. The Hague had to deal with a very high budget deficit, and huge unemployment at the same time, so the position of the Dutch government was weak no matter what decision they would have made. Apparently, however, the large budget deficit was not a valid argument in the Volvo Car case. This raises many questions which cannot be answered by looking at the changed socio-economic climate, as this cannot explain the different position taken by the Dutch government towards Ford on the one hand, and Volvo Car on the other. Nor can it be clarified by arguing that Ford did not give many guarantees concerning the success of its alternatives, as Volvo Car did not do so either.¹⁸⁸

There then remain a number of possible explanations. The first would be that unemployment simply was a much larger problem in Limburg – where Volvo Car was located – than it was in Amsterdam. While this may well have been the case, the City of Amsterdam did worry a lot about their unemployment figures as well. This became quite clear in a letter the burgomaster of Amsterdam sent to FMC. He asked them to reconsider their decision, and keep the assembly factory open. If they would not, that would have strong consequences for already unusually high unemployment – due to the recession – because many people would lose their jobs.¹⁸⁹

Still, this does not entirely dismiss the employment argument. While the recession may have created problems in Amsterdam, there already were employment problems in Limburg before the two crises of the seventies and early eighties hit. In fact, those problems

¹⁸⁶ Bos and Leenders, *Een meneer in Amerika*, 174-175.

¹⁸⁷ Jeroen Terlingen, *De kater van het gelijk. Een aanklacht jegens de praktijken van het Ford-imperium* (Amsterdam 1982) 68.

¹⁸⁸ IISH and DEHA, AWC, G.K.L. Laurent, *Letter to the Minister of Economic Affairs*, March 24th 1981 and Sluyterman and Wubs, *Over grenzen*, 198-199.

¹⁸⁹ IISH and DEHA, AWC, Burgomaster and Aldermen of Amsterdam, *Letter to the board of directors of FMC*, June 29th 1981.

had been there ever since the closing of the mines in the 1960s and early 1970s.¹⁹⁰ Not to mention the fact that Volvo Car – with its entire production line located in the Netherlands – would cause more unemployment amongst sub-contractors than the assembly factory of Ford would. Moreover, if Volvo Car would go under, many more direct jobs would go lost as well than there would with Ford, respectively 5500 and 1325.¹⁹¹

There are some other explanations as well. For example that the Dutch government was a shareholder in Volvo Car, and was thus more hesitant to let them fail. The fully government owned Dutch State Mines (DSM) had taken a minority share of 25 per cent in the new DAF factory in Limburg in 1966. DSM's shares would decrease to 10 per cent when Volvo purchased 75 per cent of DAF's passenger car division in 1975 – DAF Holding still owned 15 per cent then. DAF's private car division would from that moment be called Volvo Car. In 1976, DAF Holding sold their 15 per cent share to DSM, bringing the Dutch state's indirect share to 25 per cent again. By 1978 the Dutch government would enlarge their share to 45 per cent of Volvo Car, in exchange for financial support to save the company. Volvo still owned 55 per cent. In 1981 The Hague even expanded their share to 70 per cent, as the factory was still in trouble. It must then also be emphasized that over time the government not only had shares, but had also invested a lot in DAF – and later Volvo Car – by means of subsidies.¹⁹² When they would then decide to let Volvo Car go bankrupt at the end of the 1970s, they would lose face and in fact have to admit that their policy had been wrong.

Here it is also very interesting to note that in 1991 The Hague decided to sell 33 per cent of its shares to Japanese Mitsubishi and 3 per cent to Volvo. In 1998, the government even retreated completely, leaving the company – which had now been called Netherlands Car (NedCar) – for 50 per cent in hands of Mitsubishi and the other 50 per cent was now owned by Volvo again. While this is not directly relevant for this thesis, it is very important to note that until the 1980s The Hague would not allow the factory to be completely in foreign hands, even going as far as owning 70 per cent in 1981. However, in the 1990s there was obviously a shift where the state sold everything and the factory became dependent on the global strategies of international car manufacturers. A lot can be learned from this about the

¹⁹⁰ Sluyterman and Wubs, *Over grenzen*, 196.

¹⁹¹ Sluyterman and Wubs, *Over grenzen*, 199 and IISH and DEHA, *Ford annual report*, 1980.

¹⁹² Sluyterman and Wubs, *Over grenzen*, 196-200 and 249.

economic thinking in The Hague, which became much less nationally focused during the 1980s.¹⁹³

A last thing to mention are the militant unions in Amsterdam. Their two occupations of the Amsterdam works also weighed in, as these – if the mentioned statement of Minister Terlouw is taken into account – caused doubts about the investment climate in the Netherlands. The Hague certainly did not want that to happen, so they would rather support a company with less militant union activity, as to show potential investors that the government would not bend to the will of unions.

Everything taken into account, the Dutch government chose to support Volvo Car, but not Ford, because of larger employment issues in Limburg – and more dismissals if Volvo Car would go under – state shares in Volvo Car, a history of subsidies with DAF/Volvo Car, and too militant unions in Amsterdam. With the government decision to not support Ford, the factory was finally closed down at the end of 1981. The Hague lost employment, and Ford Netherlands lost the largest part of its company. Ford Motor Company may not have actually won anything, but it does not seem that they lost much, as their European strategy did not need a small assembly factory in Amsterdam anymore. There were no winners in this case, but there definitely were losers, and FMC was not one of them. So it must be concluded that this time FMC had the upper hand in the power relation.

Dow – Mussel beds

In 1966 Dow Terneuzen requested permission to buy more land so that they could expand. Dow preferred western expansion which would, however, be at the cost of an important nature area: the mussel beds. Many institutions and organizations got involved in the matter. The Economic Technological Institute for Zeeland argued that Dow could theoretically expand in eastern, southern and western direction. In eastern direction there, however, already was the Ghent-Terneuzen Canal. Moreover, if they would do so in eastern direction (east of Terneuzen), their complex could not work as a whole organic organization, and would require much more investments because many tasks would have to be done twice; in both parts of the complexes. Furthermore, heavy investments for pipelines should have to be made – because the two complexes had to use each other's products – and this would not be easy with the city of Terneuzen and the canal between them. It is also interesting to note that the institute argued

¹⁹³ Sluyterman and Wubs, *Over grenzen*, 248-254.

that if Dow were not to have its way, they would build the new complex somewhere else, outside the Netherlands.¹⁹⁴

J. Viersen of Dow Chemical the Netherlands noted in a letter to the Minister of Transport, Public Works and Water Management that the draining of the mussel beds was essential for the full development of their chemical complex in Terneuzen. He therefore hoped the Minister would take a decision soon.¹⁹⁵

In a meeting of the sub-commissions of the National Planning Committee, a mr. Dirker mentioned how important the western expansion was for Dow. A broad water front was essential for the large quantities of water necessary for cooling and the massive discharging of waste materials – which should be far removed from each other to avoid the overheating of cooling water – and also for the transport of products, which would have to be done along a narrow waterway in the case of southern expansion. According to him, this would be an unnecessary obstacle for the development of the chemical industry, which was of vital importance for Zeeuws-Vlaanderen. Moreover, he argued that the chemical sector already was very unpredictable. Dirker also mentioned that Dow had chosen Terneuzen because of its useful location regarding the European market and the availability of cooling water. Therefore, expansion alongside the Westerschelde was essential. He furthermore explained how important Dow was for sub-contractors in the region. Dirker said that he feared that Dow would go to Belgium if they would not get permission for their westbound expansion. The chairman of the committee reacted to this by saying that policy in the Netherlands is made by the government – advised by the National Planning Committee – and not by Dow Chemical. Mr. De Ruijter asked what the decision would mean on the longer term. Would the Netherlands be bound by the wishes of Dow Chemical in the future? Would Dow actually expand as much as everybody seemed to believe?¹⁹⁶

During the next meeting of the sub-commissions of the National Planning Committee the persons present uttered the feeling that the province made maps with their plans in such a way that the expansion of Dow would have to be westbound. They also believed that Dow did

¹⁹⁴ National Archives, The Hague, Ministries of AOK and AZ, Cabinet of the Prime Minister, access number 2.03.01, inventory number 5737, Economic Technological Institute for Zeeland in cooperation with Rijksnijverheidsconsulent in General Affairs, *Report on the expansion of the Dow subsidiary in Terneuzen*, November 9th 1966.

¹⁹⁵ NL-HaNA, KMP, 2.03.01, inv.nr. 5737, J. Viersen of Dow Chemical the Netherlands, *Letter to the Minister of Transport, Public Works and Water Management*, March 7th 1967.

¹⁹⁶ NL-HaNA, KMP, 2.03.01, inv.nr. 5737, 22nd meeting of the sub-commissions of the National Planning Committee, *Notes*, July 6th 1967.

not really care about the direction, but that they simply stated that the west had their preference because the province was clearly in favor of this, which made it much easier for Dow to avoid any problems. At the same time, a Dow spokesman was present at this meeting and he did state that there were certain advantages of western expansion: a broad water front essential for cooling, discharging of waste materials, and transportation. The members of the committee refuted these arguments, arguing that the water front was broad enough in the case of southward expansion and the narrow waterway was not a valid point, as in the western scenario the depth of the water would be a similar problem. The Dow spokesman tried to argue that the southern grounds were perhaps not suited for the envisaged factories, but this did not give him any results. The committee continued to doubt whether Dow had actually thought about the southern option. They also noted that recreation would be more harmed with the western idea, as there would hardly be any open water front left for recreation. Expansion of the town of Hoek would then also proceed, which would harm another nature area, called the Braakman, just as much as it would be harmed with Dow's southern expansion. A last point mentioned was that almost everyone agreed that when it came to air pollution, western or southern expansion would show little difference. The committee clearly was in favor of a southward bound expansion, while Dow and the province preferred the western option.¹⁹⁷

Finally, the National Planning Agency decided upon an official position: a preference for southern expansion. The most important reasons were that it would be best for industrial and housing planning, there were no objections for Dow as a company which could not be solved, and it would preserve the natural scientific value of the mussel beds – except for the part where a new harbor would be built for Dow.¹⁹⁸

However, by September sentiments had changed within The Hague. The Minister of Economic Affairs did not agree with the preference for southern expansion and decided to put the case to the plenary National Planning Committee – and thus not just to the sub-commissions who had decided upon the southern preference – and a majority voted for

¹⁹⁷ NL-HaNA, KMP, 2.03.01, inv.nr. 5737, 23rd meeting of the sub-commissions of the National Planning Committee, *Draft notes*, August 3rd 1967.

¹⁹⁸ NL-HaNA, KMP, 2.03.01, inv.nr. 5737, National Planning Agency, *Note for the 20th meeting of the National Planning Committee to be held on August 29th 1967*, August 25th 1967.

western expansion.¹⁹⁹ In a letter to the Minister of Housing and Spatial Planning, the National Planning Committee voiced its new opinion. The committee started by mentioning that Dow Europe had decided to make Terneuzen its largest European subsidiary, and that they thus needed a lot of new space. The committee therefore also wanted to make very clear that they did not have the slightest intention to stop Dow from expanding, as they very well understood the vital importance of Dow Chemical for the regional, and even the national economy. The committee just wanted to question the right direction, but never the expansion itself.²⁰⁰

They then gave a number of reasons for their new position. To begin with, Dow needed a broad water front to obtain enough cooling water and after that ditch it at a proper distance. A broad water front would furthermore result in the new harbor being located at the center of the Terneuzen complex. Also important was that with a southern expansion the foundation of factories would be more costly because of the soil. Very pressing as well was the consideration that Dow liked to have the opportunity to expand even further in the future. However, there was not enough space in the south for a second expansion. So if they would first expand southward bound, they would subsequently have to expand westward nonetheless. Then both the south and west would have been built upon, and nobody would have been happy.²⁰¹

After these Dow-specific reasons, the committee stressed that this decision also had to be seen in the light of attracting foreign companies in general to strengthen the economy. They were worried about the reputation of the Netherlands with foreign investors, and therefore did not want to make this situation any more difficult than was really necessary.²⁰²

As far as air pollution was concerned, the western option was slightly better. For recreational value the committee saw advantages and disadvantages for both options. The housing planning were not deemed to be very relevant, as the committee believed the plans of the province for the town of Hoek were wrong to begin with. However, when it came to natural scientific value, the committee admitted that the western expansion would mean a far greater loss than the southern option. Especially since so many valuable nature had already

¹⁹⁹ NL-HaNA, KMP, 2.03.01, inv.nr. 5737, State Secretary of Culture, Recreation and Social Welfare, *Letter to the Prime Minister, chairman of the Council for Spatial Planning*, November 6th 1967.

²⁰⁰ NL-HaNA, KMP, 2.03.01, inv.nr. 5737, National Planning Committee, *Letter to the Minister of Housing and Spatial Planning*, November 1st 1967.

²⁰¹ NL-HaNA, KMP, 2.03.01, inv.nr. 5737, National Planning Committee, *Letter to the Minister of Housing and Spatial Planning*, November 1st 1967.

²⁰² NL-HaNA, KMP, 2.03.01, inv.nr. 5737, National Planning Committee, *Letter to the Minister of Housing and Spatial Planning*, November 1st 1967.

been sacrificed for the Delta Works – the Dutch works to prevent flooding. In that light, the western expansion of Dow meant a great natural scientific loss. So in the end, it was really economic interests versus natural scientific interests.²⁰³

The Minister of Housing and Spatial Planning shared the opinion of the committee, and was in favor of western expansion.²⁰⁴ However, the State Secretary of Culture, Recreation and Social Welfare did not. He believed the water front was broad enough with the southern location, so cooling and the subsequent ditching of water would not be a problem. He mentioned that transportation problems were not a valid argument for western expansion, as Dow would have a new harbor in both cases. Moreover, the company was seen as a relatively clean company, so air pollution was not a good argument either. The State Secretary proceeded by arguing that any provincial plans for Hoek were not valid, as they were contrary to established government plans, were not drawn up in legally valid documents, and were not good for the development of the region. Therefore, the housing plans were not a proper argument for the western option either. As far as recreational value was concerned, he was of the opinion that westward expansion was worse, as there would be no water front left for the recreationist. Finally, the State Secretary emphasized that a unique natural site would be lost with the disappearance of the mussel beds, which was far more important and rarer than the creeks that were to disappear with the southern option. Moreover, he also noted that the province of Zeeland actually would expand Hoek at the cost of those creeks if Dow would expand to the west, and that they would be lost either way. He concluded his letter by saying that southern expansion was to be preferred, as this option was equally attractive to the western when it came to industrial and economical aspects, while it would preserve a much more valuable natural scientific site – the mussel beds.²⁰⁵

Nonetheless, this letter did not help anymore. The decision was soon made to grant Dow Chemical permission to drain the mussel beds.²⁰⁶ In 1973 some new questions were posed in the House of Representatives. These did, however, not really contest the decision made earlier, but only called for some conditions, which had to make sure that no other

²⁰³ NL-HaNA, KMP, 2.03.01, inv.nr. 5737, National Planning Committee, *Letter to the Minister of Housing and Spatial Planning*, November 1st 1967.

²⁰⁴ NL-HaNA, KMP, 2.03.01, inv.nr. 5737, Minister of Housing and Spatial Planning, *Letter to the Prime Minister, chairman of the Council for Spatial Planning*, November 3rd 1967.

²⁰⁵ NL-HaNA, KMP, 2.03.01, inv.nr. 5737, State Secretary of Culture, Recreation and Social Welfare, *Letter to the Prime Minister, chairman of the Council for Spatial Planning*, November 6th 1967.

²⁰⁶ Statengeneraaldigitaal.nl, 1967-1968, House of Representatives, Permanent commission for public housing and spatial planning, 3rd meeting, November 15th 1967, K 88.

company besides Dow could build something there. Dow was seen as an exception, because, according to the parliamentarians, it did not have any other way to expand. The Minister of Housing and Spatial Planning subsequently assured them that only Dow could build there.²⁰⁷ Although from 1974 there were some protesters who tried to save the mussel beds, they did not receive a lot of political attention.²⁰⁸ In 1974 a member of parliament did ask whether the decision made in 1967 could be annulled if Dow did not use the terrain. The member was reassured by the Minister of Housing and Spatial Planning, who said that Dow could only drain the mussel beds if it would actually use the terrain in the nearby future for its industrial activities.²⁰⁹ In June 1975 Dow Chemical and the Netherlands closed an agreement that Dow had to built on fifteen per cent of the mussel beds within five years, and had to create six hundred jobs.²¹⁰

At the end of this complicated story it seems like Dow won. The multinational had to do little to get what it wanted, while the Netherlands had to sacrifice an important natural scientific site in exchange for employment. How did this happen? The State Secretary of Culture, Recreation and Social Welfare had argued that there were no decisive reasons to choose for the westward expansion, while there was one very good reason not to do so: the mussel beds would be saved, and with them a valuable piece of nature.

The National Planning Committee, however, presented some general economic and Dow-specific reasons which had convinced them to choose for westbound expansion. To start with, they did not want to get a bad reputation with potential foreign investors. Equally important however, they wanted to make sure Dow Chemical kept expanding in Zeeuws-Vlaanderen. They clearly acknowledged how vital Dow's presence was for the regional – and national – economy. They were well aware of the fragility of the Terneuzen area when it came to employment, and the vital importance of the chemical sector for the region.

The corporate strategy of The Dow Chemical Company was, however, also very important. Midland had said that Terneuzen would be the most important plant in their European network, if they could obtain enough space. In this case then, corporate strategy

²⁰⁷ SGD.nl, 1973-1974, supplement to the report of the acts of the House of Representatives, p. 1075, question 537 and SGD.nl, 1974-1975, supplement to the report of the acts of the House of Representatives, p. 334, question 429.

²⁰⁸ De Schipper, *Achter de dijken*, 147-149.

²⁰⁹ SGD.nl, 1974-1975, supplement to the report of the acts of the House of Representatives, p. 334, question 429.

²¹⁰ De Schipper, *Achter de dijken*, 149.

worked in favor of Dow, as the company was able to promise the Netherlands a lot of rewards if they could drain the mussel beds. In the mussel beds case all three aspects worked in favor of Dow. They were the most important company in a chemical sector that was essential for a fragile regional economy, and by means of their corporate strategy they were able to promise the stability Zeeuws-Vlaanderen longed for.

Dow – Delfzijl

An interesting example of how governments can have trouble negotiating, is the fact that the Dutch government did not manage to attract Dow to Delfzijl in 1968 – although in 1985 Dow did take over the Upjohn subsidiary in Delfzijl. While this does not directly have anything to do with Dow Terneuzen, it is a case which is too interesting to ignore. In 1968 the government had to answer several questions from the House of Representatives and the Senate about why they did not adjust electricity rates, which – the two Houses argued – was one of the decisive reasons for Dow to go to Germany instead.²¹¹ However, since Minister of Economic Affairs Leo De Block said that this was only one of many reasons why Dow did not choose Delfzijl, it would therefore be useful to first look at some of the reasons why Midland chose Stade, Germany. Dow wanted a site close to salt domes, a nearby large waterway, not too much surrounding heavy industry, and preferably a small town.²¹²

At first glance it would seem that Delfzijl could offer all those conditions. Nonetheless, Minister De Block mentioned that salt supplies were further removed from Delfzijl than they were from Stade. Moreover, he said in more general terms – though beforehand clearly referring to the case of Dow – that multinationals sometimes choose to go elsewhere because the ground is not always suited to build on, harbors sometimes do not allow enough tonnage, and a higher energy price can play a role. Moreover, other factors could also be important according to Block, such as other countries that might offer a special facility, and how easy raw materials can be delivered at the site of the company.²¹³

Although De Block went to great length to argue that energy rates were not decisive, it nonetheless seems that they had been one of the most important factors. Why did The Hague

²¹¹ SGD.nl, 1968-1969, supplement to the report of the acts of the House of Representatives, p. 25, question 12, p. 129, question 64, and p. 289, question 143.

²¹² Brandt, *Growth company*, 411.

²¹³ SGD.nl, 1968-1969, House of Representatives, Permanent commission for Economic Affairs, 1st meeting, October 30th 1968, N26.

then not simply adjust the energy rates to at least make it more attractive for Dow to come to Delfzijl? Were they not prepared to, as the economic climate was still very positive in the Netherlands? While this may have been the case for the more developed regions in the Netherlands, it certainly was not true for Delfzijl, located in a relatively poor and backward region. The answer comes from one of the questions posed to the Minister, which asked whether the failure to attract Dow had made clear that the government should bring electricity supply into the hands of the national government, and not leave it to the provinces.²¹⁴ Apparently the policy in the north was very passive and not suited to react to different situations, thus not being able to offer Dow the essential energy benefits.²¹⁵ This shows that The Hague could not properly influence energy rates to support its strategy of FDI attraction, as electricity supply was the task of the provinces. The case was a conflict between the national industrialization schemes and the provincial responsibility for energy supply.

The Delfzijl case proves that a failure to attract a multinational can occur because of many reasons. Not all of them can be actively influenced by governments, such as the distance between a salt mine and a harbor. Others can be influenced, if the national government would have the appropriate tools to execute their industrialization scheme, which The Hague obviously did not have when it came to energy supply. The power relation was in the favor of The Dow Chemical Company in this case, as they were better able to get what they wanted than The Hague. The latter ended up with nothing, while Dow still got its plant, only now in Germany. The fact that The Hague was partly powerless because they could not properly influence energy rates, makes the case an important lesson on conflicts between national and provincial government agencies. It must also be noted that Dow was strong because its corporate strategy did not need the Netherlands; there were other attractive options, like the one in Germany. With the mussel beds this was more complicated because it was easier – though not strictly necessary – to tie that expansion to Terneuzen. Dow thus needed the Netherlands more in the mussel beds case, than in this case. Nevertheless, because of the fact that the Netherlands needed Dow even harder in the mussel beds case than vice versa, it still resulted in a dominant position for Dow.

²¹⁴ SGD.nl, 1968-1969, supplement to the report of the acts of the Senate, p. 25, question 12.

²¹⁵ SGD.nl, 1968-1969, Senate, Establishment of Chapter XIII (Economic Affairs) 1969, 31st meeting, June 3rd 1969, 700.

Dow – DSM patent

Another important moment for Dow can be found when in 1972 it tried to acquire a license for the production of high-density polyethylene, the so-called Ziegler patent. However, DSM (Dutch State Mines), at the time still a fully government owned company, would not sell it to Dow. In August of that year questions were asked about this in the House of Representatives. It would have meant hundreds of new jobs in Terneuzen. Langman, Minister of Economic Affairs, answered that may have been the case, but it also would have meant increased competition for DSM, and most importantly, it would possibly have cost jobs in Limburg.²¹⁶ Clearly, this was a case of contradictory interests.

It is tempting to argue that The Hague preferred jobs in Limburg to jobs in Terneuzen, and was thus not willing to bow to Dow. That point of view can however not be held, as both Zeeuws-Vlaanderen and Limburg were seen as problem areas by the government. It seems hard to analyze this case by means of the national socio-economic context or by regional differences. Rather, in this case the same situation occurred as with Ford and Volvo Car. In the latter company the government had shares – coincidentally also through DSM – and in this Dow vs. DSM case the government did not just have shares, but fully owned DSM. They would not jeopardize the position of their “own” company for the sake of Dow Chemical. Once again, the position of a state backed company was considered more important by The Hague than a multinational’s position.²¹⁷ In this case, The Hague was dominant.

Dow – LPG

In 1978 the price of naphta increased sharply. Therefore, Dow Terneuzen decided it would be wise to use liquefied petroleum gas (LPG) as a replacement, so that the company would not be solely dependent on naphta. Both LPG and naphta are suited to derive basic substances for plastic production. So Dow bought a tanker in the Middle East filled with LPG which set course to Terneuzen. However, the provincial government was scared of this dangerous fluid and did not grant the tanker permission to enter the Braakman harbor. Nonetheless, after three weeks Dow received a once only permission to anchor the ship at the Braakman harbor. Moreover, a month after the ship had arrived, a permanent permission was granted.²¹⁸

²¹⁶ SGD.nl, 1972, supplement to the report of the acts of the House of Representatives, p. 199, question 99.

²¹⁷ SGD.nl, 1972, supplement to the report of the acts of the House of Representatives, p. 199, question 99.

²¹⁸ De Schipper, *Achter de dijken*, 153.

The problem indeed seemed solved, until the national government got involved. BP and Shell had already asked permission to build a LPG terminal in the Rotterdam harbor. Although the government was willing to grant permission for this, they did have two conditions. First of all, they deemed it much safer and more responsible if there would only be one location in the Netherlands where LPG could be unloaded; in Europoort, the Rotterdam harbor. Moreover, The Hague preferred it if the gas would be transported from Europoort to the rest of the country through pipelines, as they considered this safer. However, there already were political parties which were willing to consider some other – although smaller – unloading locations in the Netherlands, amongst others Terneuzen. These additional considerations were taken into account in the temporary policy which was decided upon in September 1982.²¹⁹

In Rotterdam the local government was not very open to the envisaged terminal. When BP and Shell were also having doubts on whether transport by pipeline would be profitable, the two companies decided to drop their plans for a LPG terminal in Rotterdam. However, in Zeeland there had been some developments. Eurogas in Vlissingen – a company specialized in LPG – and Dow in Terneuzen could now transit up to 500.000 tons of LPG to other locations, as was also taken up in the temporary policy of September 1982. Nonetheless, these two companies wanted to expand that limitation because competition on the LPG market became more fierce, most notably from Antwerp. There were also fluctuations in prices of LPG, so when it would occur that LPG was much more expensive than naphta, Dow wanted to have the possibility to sell and transport it, which required an increase of the 500.000 tons limitation.²²⁰ A couple of issues then remained when the temporary policy was decided upon, of which the most important for Dow were: which locations would receive permanent permission for the unloading of LPG, the expansion of the transit limit, and the policy regarding pipe lines versus transportation by barge.²²¹

The State Secretary of Transport, Public Works and Water Management, J.F. Scherpenhuizen, member of the right-wing liberal party (VVD), argued in a letter that

²¹⁹ SGD.nl, House of Representatives, 1981 -1982, Comprehensive unloading of LPG, nr. 22, Minister of Transport, Public Works and Water Management, *Letter to the Chairman of the House of Representatives*, September 3rd 1982 and SGD.nl, 37th meeting: Special committee comprehensive unloading of LPG, May 16th 1983, 4.

²²⁰ SGD.nl, House of Representatives, 1981 -1982, Comprehensive unloading of LPG, nr. 22, Minister of Transport, Public Works and Water Management, *Letter to the Chairman of the House of Representatives*, September 3rd 1982, 6-7.

²²¹ SGD.nl, 37th meeting: Special committee comprehensive unloading of LPG, May 16th 1983, 4 and 12.

unlimited transport of LPG should be possible for Dow Terneuzen. The main reason he gave were that a terminal was being built in Antwerpen which would become a fierce competitor for Dow and Eurogas. The State Secretary emphasized that the two companies were very important for the regional economy. If the limitations on transport would continue, then Antwerpen would get too far ahead, and acquire a very large market share in Germany – where demand was not that large to start with. Therefore, the limitations had to be eliminated, to make sure that the companies remained healthy, which would have a lasting positive effect on the regional economy.²²²

Scherpenhuizen made this decision before the final study into the risks had been published; the draft version had been completed though. The only thing he demanded in return from Dow and Eurogas was that they would take one concern from the study at heart: the risks of a collision with another boat, after which LPG would end up in the water. If the two companies would adjust their ships in ways that this scenario would become very unlikely, then the limitations on transport would no longer be necessary.²²³ This decision did not only affect the limitation on transport, but also the policy of locations – as Vlissingen and Terneuzen were now definitively accepted – and apparently pipe lines were not to be preferred anymore either.

The fact that the government had decided to change the temporary policy before the study had been published, was seen by some as unconventional and disturbing. Beckers-de Bruijn from the green-leftist PPR party and social-democrat De Visser (PvdA) mentioned their displeasure. Ms. Beckers-de Bruijn was of the opinion that the proposed changing of the temporary policy of limited transport was a dangerous precedent of not caring very much about parliamentary debate and putting a lot of pressure on further law making process concerning LPG. Beckers-de Bruijn believed it was very unwise to change the temporary policy before all the promised studies had been published, as the risks could only really be established after the final report. She had suspicions that economic considerations were deemed more important than the safety of the population, but she was especially upset that the House of Representatives had not had the chance to receive all information, and had therefore

²²² SGD.nl, House of Representatives, 1982-1983, Comprehensive unloading of LPG, nr. 23, State Secretary of Transport, Public Works and Water Management, *Letter to the Chairman of the House of Representatives*, March 25th 1983.

²²³ SGD.nl, House of Representatives, 1982-1983, Comprehensive unloading of LPG, nr. 23, State Secretary of Transport, Public Works and Water Management, *Letter to the Chairman of the House of Representatives*, March 25th 1983.

not been able to discuss the matter properly before the decision to change the temporary policy had been made. De Visser had the same concerns, and was also afraid that the government had already promised a new policy to the companies, which had not been discussed in the House of Representatives. If that would indeed be the case, it would be very hard to change the new policy when all the studies had finally been completed and been read by parliament; the companies would not like to see the government's unofficial promises broken in this case.²²⁴

The LPG case is an issue that was not limited to Dow Chemical, as has been described above. It concerned a number of companies throughout the country. Be that as it may, over the years Eurogas en Dow Chemical did become the most important users of LPG (70 per cent) of all companies in the Netherlands.²²⁵ Therefore, the circumstances of Dow Terneuzen must have played an important role in the sudden decision of the State Secretary.

According to an answer given to a parliamentary question before the temporary policy had been created, 400 million guilders of investments which should go to Dow Terneuzen, would go to other subsidiaries abroad if LPG was no longer to be available. Moreover, 300 direct and 800 indirect jobs would not be created. Furthermore, there would be a real chance that one of the naphta crackers would have to be stopped, because raw materials for the crackers could become too expensive. In that case, an additional 400-500 direct and 1000-1300 indirect jobs would be lost.²²⁶ If the worst case scenario is then taken into account, this number is the same as the president of Dow Chemical the Netherlands, M.W. Biggers, mentioned when he allegedly said that there would be 2900 jobs less if Dow could not transport LPG to its plant.²²⁷

In a written consultation it becomes even more clear how important the decision of State Secretary Scherpenhuizen was for Dow Chemical. They had already invested a lot in LPG, and if the limitations would not have been eliminated, then they would have faced losses of 80 million guilders a year on top of a year with already very negative returns: there was a loss of 185 million guilders in 1982. Moreover, it was noted that LPG transportation from Terneuzen was also important for the position of the Dutch subsidiary within the

²²⁴ SGD.nl, 37th meeting: Special committee comprehensive unloading of LPG, May 16th 1983, 12-13, 24-25, and 27.

²²⁵ SGD.nl, 16th meeting: Special committee integral note LPG, November 5th 1984, 3-4.

²²⁶ SGD.nl, House of Representatives, 1979-1980, Comprehensive unloading of LPG, nr. 4, *List of answers to questions posed on February 21st 1980*, March 13th 1980, Answers 106 and 108a.

²²⁷ De Schipper, *Achter de dijken*, 153.

international strategy of The Dow Chemical Company.²²⁸ The government was aware of the fact that if Dow did not get the unlimited transportation of LPG, it would be bad for the company, but even worse for the region, because of the importance of Dow for the regional economy.

However, the employment and (already invested) capital arguments do not explain everything, as it was also mentioned that the risks of stranding of a LPG ship were not very large. At the same time, there were actual risks of collisions with other ships.²²⁹ These traffic risks do not exist with pipelines. Even though pipelines have other disadvantages, like the fact that much more LPG could escape during a leak, it is also true that certain safety measures could probably prevent these scenarios. A pipeline would then seem a plausible alternative. However, it would cost Dow 10 guilder a metric ton more, and more investments would have to be made. Not to mention the fact that all previous made investments for LPG shipment should have to be considered as losses in that case.²³⁰ It is therefore understandable that Dow ordered a study to determine the safety risks of bringing LPG tankers into the Braakman harbor. This study said that there were ways to decrease the risks.²³¹ In 1982 Dow ordered another study. This time they wanted to create a simulation model of the shipping traffic on the Westerschelde. The study was well received by the government.²³²

There were then a number of reasons why the government allowed LPG at all in Terneuzen at the time of the temporary policy in September 1982 – which was a break with their policy of one central unloading point in the Rotterdam harbor. When the temporary policy was decided upon, it was already clear that Dow needed at least some LPG to remain fully operational and not have to dismiss many employees – it must be remembered that unemployment was an enormous problem at the time. A large sum of investments would also go to a subsidiary abroad if Dow could not obtain LPG. Moreover, a study had shown that the only considerable risks with water transportation were collisions with other ships.

²²⁸ SGD.nl, House of Representatives, 1982-1983, Comprehensive unloading of LPG, nr. 24, *Report of a written consultation*, April 13th 1983, Question and answer 13.

²²⁹ SGD.nl, House of Representatives, 1979-1980, Comprehensive unloading of LPG, nr. 4, *List of answers to questions posed on February 21st 1980*, March 13th 1980, Answers 106 and 108a.

²³⁰ SGD.nl, House of Representatives, 1979-1980, Comprehensive unloading of LPG, nr. 4, *List of answers to questions posed on February 21st 1980*, March 13th 1980, Answers 98-100 and 110.

²³¹ SGD.nl, House of Representatives, 1979-1980, Comprehensive unloading of LPG, nr. 4, *List of answers to questions posed on February 21st 1980*, March 13th 1980, Answer 106 and 108a.

²³² SGD.nl, House of Representatives, 1983-1984, Integral note LPG nrs. 1-2, 40 and SGD.nl, 16th meeting: Special committee integral note LPG, November 5th 1984, 9.

Furthermore, obliging Dow to use pipelines would cost Dow a lot of extra money and many investments would have been made for nothing.

When the temporary policy had become the consensus at the end of 1982, time pressure started to grow, as the importance of Dow in LPG handling had become much greater, competition from Antwerp had increased, and the risk of Dow getting behind was getting larger every day – they had worrying negative returns in 1982. The State Secretary then suddenly decided in 1983 to allow unlimited transportation by ship, did not speak about pipelines anymore, and obviously decided that Dow Terneuzen would be a permanent unloading point. The only thing he wanted in return was that boats became safer. The fact that parliament had not seen all the reports and had thus not been able to discuss the matter with him, did not seem to bother Scherpenhuizen too much. The future of the region was deemed too important and uncertain.

The power relation was in favor of Dow Chemical in this case. They got what they wanted: unlimited transportation of LPG over water and the confirmed status of being an unloading point. They only had to make sure in return that they made their boats safer. The Hague chose the economic prosperity and social stability of Zeeland over its safety. Although the studies did show that the safety risks were limited if the boats were adjusted, the State Secretary was in a remarkable hurry once it became clear in what kind of bad shape Dow Chemical was: 185 million guilders losses in 1982, with 80 million a year more if the LPG plans did not succeed. The fact that Antwerp was becoming a threatening competitor was even more reason to make some fast decisions, and make sure that Dow Terneuzen would continue to be able to play its vital role in The Dow Chemical Company's international strategy, and thus also its indispensable part in the economy of Zeeuws-Vlaanderen and Zeeland. It is striking to observe how government policy more or less followed Dow's investments. As soon as Dow took a risk by making investments which might not be politically supported, the government seemed to do everything they could to make sure that everything would turn out all right.

Ford, Dow, and the Dutch government; a comparison

Although the intention of this thesis was to analyze the development of the power relation between Ford and the Dutch government from 1949 until 1981, I have only been able to find cases at the start and the end of that period. It is nonetheless possible to draw some broader conclusions from these two cases.

In the case of the 1950s the Dutch government was dominant. Although Ford threatened with the dismissal of many employees and even the closure of the plant, the Dutch government was not too frightened by these threats. The Hague largely continued its favoring of DAF, in whom they had a lot of confidence, and expected more from than from the mere assembly factory of Ford. Therefore, they only made limited concessions to Ford.

At the beginning of the 1980s the situation had changed. Ford Netherlands still was not dominant vis-à-vis the Dutch government, as they were not able to receive assistance from The Hague, contrary to Limburg-based Volvo Car a few years earlier. However, Ford Motor Company did have the upper hand in the power relation with The Hague. FMC – through Ford of Europe – did not consider the assembly plant in Amsterdam very useful anymore in its grand strategy, due to European integration and the disappearance of import duties, and ever rising labor costs in the Netherlands. At the moment that FMC decided other subsidiaries had priority, there was little the Amsterdam management, nor the Dutch government could do about this. So the fact that The Hague took a tough position towards Ford Netherlands hardly meant anything, as FMC did not care about the Dutch subsidiary that much anymore.

The Hague was better able to achieve its objectives in only one of the four Dow cases; the DSM case. In the other cases Dow was dominant, either partly because of bad governance (Delfzijl), the fragile economy of the Terneuzen area and the importance of the chemical sector there (Mussel beds and LPG case), and – surprisingly – even the corporate strategy of Midland worked in Dow's favor (Mussel beds, Delfzijl, and LPG case).

In general, it can be concluded that, as expected, the location and sector of Dow Terneuzen worked in its advantage. The Hague's fear that the fragile economy of Zeeuws-Vlaanderen would collapse if Dow were to leave or downsize, appeared regularly in government documents. The importance of Dow for the chemical sector in general was also a frequently cited reason not to cross Dow too much. The corporate strategy story was the real surprise. In the mussel beds case it worked in Dow's favor, as the company was able to promise a lot of employment if they received permission to expand at the expense of the mussel beds. Moreover, it also worked in favor of the corporation in the LPG case, because it was mentioned that LPG was essential for Terneuzen to remain central in Dow's European strategy. To put it short: without LPG, Terneuzen might slowly, but surely lose its central position in Dow's European network. This would logically also mean that Dow Terneuzen would receive less new investments, less jobs would be created, and old jobs might even disappear.

Concluding, it can be argued that location and sector indeed largely worked in favor of Dow, and against Ford. Corporate strategy worked in favor of The Dow Chemical Company and Dow Terneuzen, but with Ford only in the favor of Ford Motor Company and not of Ford Netherlands.

There are two other aspects that must be mentioned, which had not been foreseen when this research was started, but did seriously influence the power relation between both companies and the Dutch government. These are the nature of the subsidiary and the role of state-backed companies. Even though they are interwoven with location, sector, and corporate strategy, they are important enough to mention separately. The fact that Ford only had an assembly factory, worked to its disadvantage in the 1950s case – and for Ford Netherlands also in the closure case, but not for FMC then. While the fact that Dow had a large integrated production complex in Terneuzen, with a larger effect on (indirect) employment, worked to its advantage in the power relation, because there were many more jobs at stake. As far as the role of state-backed companies is concerned, this worked against both companies. Ford had DAF (and later Volvo Car) as unequal competitor, while Dow had DSM to face. It seems that once a government has decided that its home grown company is more useful – for whatever reason – it will do a lot to favor them. At least in the period discussed in this thesis, when national companies were still favored to a certain extent.

Gathering the loose ends, tying the knot: conclusion

From the mid-1970s the process of globalization really got underway. The integration of the world economy caused the power relation between multinationals and national governments in general to move towards a kind of equilibrium. Cheaper and faster transport and communication, the emergence of third world countries as an attractive cheap labor pool with few rules concerning the environment and labor, and later the deregulation of financial markets all made it very interesting and easy for multinational corporations to move to these countries. Even when tasks like research and development did require well educated people, these tasks could simply be done in the developed world, while production took place in the developing regions of the globe. Multinational corporations therefore tended to become transnational corporations.

The Dutch socio-economic climate developed pretty close to this general pattern. From the 1960s onwards labor costs increased tremendously, caused by higher salaries and extensive social security contributions. Environmental regulation made production even more expensive. Social harmony between labor, government, and industry also disappeared in the 1970s, which made the investment climate for multinationals more hostile. Labor costs and social harmony did reach a new, acceptable level again after the Agreement of Wassenaar in 1982.

However, this was too late for the Ford assembly factory in Amsterdam. It had been closed down in 1981 because of many reasons. Poor results were certainly one, partly caused by the high labor- and production costs in the Netherlands. The assembly plant was a labor intensive business, and they therefore suffered a lot from relatively high salaries and social security contributions. The Ford Motor Company (FMC) in Detroit was of course well aware of these structural difficulties in the Netherlands and other developed countries, and began to think how to adjust their strategy. They decided to transform the Ford Motor Company into a transnational corporation, beginning with the creation of Ford of Europe in 1967. European economic integration made this very well possible, as internal trade barriers disappeared in 1968.

The assembly factory in Amsterdam had been opened in the 1930s when import duties between European countries were still present, and when the small Dutch consumer market therefore did not justify a fully integrated plant. However, now import tariffs had disappeared, cars could easily be produced in southern Europe – for example in Valencia, Spain, where

labor and production were cheaper – and then transported to the Netherlands, as transportation also became increasingly cheaper. The Amsterdam assembly works were not needed anymore.

Dow Terneuzen of course developed in the same larger context. However, there were a few very important differences. The forces of European integration and globalization had other consequences for the multinational from Midland. To start with, Dow Terneuzen and its role in the European network was created at a moment when it had become clear that European economic integration was no longer a vague intellectual theory, but had become economic reality. Dow was therefore not bothered by the small consumer market of the Netherlands, and also did not feel the need to go to Germany straight away – where their most important market was. Because of European integration they could very well serve this market from their Dutch production plant, without immediately having to dive into the extremely competitive chemical sector in Germany. Exactly because of this different strategy, with a completely integrated plant in Terneuzen, the forces of globalization – mainly cheaper and faster transport and communication – were helpful for the Dutch subsidiary, and not detrimental, as they had been for the Dutch Ford assembly factory.

Moreover, where the high Dutch labor costs were a very important reason for FMC to close down their labor intensive factory in Amsterdam, this was not that important for Dow. The chemical sector is by definition a much more labor extensive business than the automobile sector, and the increase of labor costs was therefore not important enough to leave. It did not weigh up to the stable political and social climate, and excellent geographical location of Terneuzen. The high level of education was another advantage of the Netherlands, as workers in the chemical sector have to be better educated than workers in an automobile assembly factory. Moreover, as European integration and globalization made it possible for Dow Chemical to open an integrated production complex in the small Netherlands, this also meant they had an extensive research and development department, which of course demanded highly educated personnel as well. The assembly plant of Ford, on the other hand, did not have such departments. They largely needed low skilled laborers, which could be found all over the world. All of this weakened the bargaining position of Dow Chemical, as they needed the Netherlands more than Ford did.

Yet, the primary sources tell a different story. When looking at the development of the power relation between Ford and the Dutch government, it can be seen that the Dutch government was more powerful than Ford in the 1950s, but proved to be less powerful than

FMC – but more powerful than Ford Netherlands – in the closure case of the 1980s. FMC could easily use the processes of European integration and globalization to leave the Netherlands. This power relation therefore developed along the line of the general trend of multinationals gaining more power vis-à-vis national governments.

As expected, Dow Terneuzen's relation with the Dutch government did not completely follow this trend. However, the mentioned prediction – that Dow would have a weaker bargaining position than Ford when globalization became important – was not right either. There is no clear line in the development of the power relation between Dow and The Hague, as it seems that Dow was better able to achieve its objectives than The Hague throughout most of the period. To explain this difference with Ford, more attention must be paid to the difference in sector, location, corporate strategy, and some other important factors.

The automobile sector was troubled throughout most of the world in my research period. Overproduction was a large problem, partly caused by the oil crises and Japanese competition from the 1970s, but also because governments protected their national car industry. The reason why governments did this must be assessed on a general, but also on a national level. A general reason was that the main industrial countries considered it a matter of prestige to have their own car industry. Another important general argument was that governments were able to employ poorly educated and low skilled workers by means of car factories. Some specific arguments for the Netherlands were that the national brand, DAF, had also opened up a factory in Limburg in the 1960s. This had become a very troubled region because the government had decided to close down the coalmines there. Other important reasons were the fact that The Hague acquired 25 per cent shares of DAF in 1966 – later even more when it had become Volvo Car – and that DAF/Volvo Car was a fully integrated company, with therefore much more effect on direct and indirect employment, and thus more interesting for The Hague. So, as far as employment issues were concerned, DAF was located in a more vulnerable region than Ford was – from the 1960s onwards – and also could offer many more jobs because it was not just a mere assembly factory, but a completely integrated production complex.

The same was true for Dow. It was also located in a more vulnerable region than Ford, and it could also offer more (indirect) employment because it was a large integrated production plant. Not to mention that the chemical sector – contrary to the automobile sector – was much healthier, and that Dow was one of the largest players within that sector in the Netherlands. Moreover, the chemical sector was essential for the Zeeuwse economy, and thus

Dow – as the biggest player – was indispensable for that regional economy. Like Ford with DAF/Volvo Car, Dow did face some “unfair” competition from the fully state-owned Dutch State Mines (DSM). DSM was located in a troubled region, just like Dow Terneuzen. However, as DSM was state-owned, it could count on support from the government when it had conflicting interests with Dow Chemical (Dow-DSM patent case).

A last important point to mention is the role of unions. Amsterdam had very militant unions (FNV and CNV), which actually occupied the Ford factory twice in 1981. Terneuzen did not know this kind of militant union activity, even though FNV was there as well. The section of FNV – and its predecessor NKV – in that part of the country was more tranquil, and not as well organized. As a consequence, Dow had a lot less to fear from them than Ford had, and therefore union activity was much more of a locational disadvantage in Amsterdam than it was in the Terneuzen region.

All in all, sector and location largely strengthened the bargaining position of Dow Terneuzen – besides the role of DSM and tranquil unions. They were the largest player in an essential sector for a fragile regional economy. So whenever Dow would leave, this would have far reaching consequences for regional employment; it might even be fair to say that it could have had a disastrous effect. The Dutch government would therefore think twice before they would obstruct Dow’s plans without a very good reason. This could be seen in both the mussel beds and the LPG case. Only if their state-owned company DSM needed their support, The Hague did not give Dow what it wanted (Dow-DSM patent case).

For Ford their sector and location did not exactly help them. Being located in a city with less employment problems than Limburg – where their government supported competitor DAF/Volvo Car was located – weakened their bargaining position. As did the fact that they were only an assembly plant, and therefore had less effect on (indirect) employment than DAF/Volvo Car and Dow. This could be seen in both the 1950s and the closure case. Ford Netherlands lost both cases partly because of these reasons. However, it can also not be argued that The Hague won the closure case, as FMC was actually dominant in that one.

This brings the story to the importance of corporate strategy. The plans of headquarters strengthened the position of the multinationals in almost all cases. For FMC it was quite simple in fact; they did not need the Amsterdam assembly plant anymore in 1981. As soon as that was clear, The Hague was left powerless. The Dow Chemical Company’s strategy was different though. As the Terneuzen plant was built with the idea of it becoming an essential, and in fact the most important part of Dow’s European network, this could have

weakened Dow's position. If they would have threatened to leave completely, The Hague might not have taken that too seriously, as Dow could not miss the Terneuzen complex. They would have to rebuild it somewhere else in Europe, which would have led to disturbing capital loss. However, focusing on Dow's potential threats to leave entirely, is only one part of the strategy story. Midland could also use more moderate threats or that other way of getting what you want: the offering of incentives. In the mussel beds case they did just that. At that moment in time, the key European complex of Dow did not necessarily have to be in Terneuzen, as the complex had not become that large yet. Terneuzen could still have become a much less crucial part of Dow's European strategy. Therefore, it was a very attractive promise for the Dutch government that the complex would become such an important site, as long as Dow could drain the mussel beds. In the LPG case it was mentioned that LPG in Terneuzen was necessary for Dow to retain Terneuzen's central role in its European strategy. The government of course did not want to lose that position, as it would cost jobs in the long term if the Terneuzen site would become less important. Dow did not need to threaten to leave Terneuzen completely – which would not have been a credible threat – but, again, they could just simply warn The Hague that the future benefits of Dow's presence would stop growing, and even start declining. In the Delfzijl case, Dow's corporate strategy had little to do with Terneuzen. They in fact really did not need the Netherlands in this case, as FMC did not need the country anymore in the closure case, because it was not an important part of their corporate strategy. In these last two cases, The Hague was left powerless.

Summarizing, it can be argued that Ford's power relation with the Dutch government was quite similar to the general story mentioned in the historiography. European integration, globalization, and the fact that FMC was able to become a transnational corporation made them less dependent on the Dutch government, and therefore more powerful than before. When the high Dutch wages and social security contributions became increasingly disadvantageous for the labor intensive automobile assembly factory, their new corporate structure, as well as cheap transport and communication, and the disappearance of import duties, made it easy for them to produce in countries with lower labor costs.

Dow Terneuzen's development did not exactly correspond with the general story. High labor costs were not that big a problem for a chemical company, as they were labor extensive. Moreover, European integration and the process of globalization made it very attractive for them to first settle safely outside the competitive chemical sector of Germany, and quietly grow, while at the same time being able to enter the German market without many

problems and relatively cheaply. In short, their corporate strategy and the envisaged role for Terneuzen was well suited for the European and globalized future, contrary to Ford's original strategy for the Amsterdam assembly plant created in the 1930s. It would have been logical if this would have weakened the position of Dow vis-à-vis the Dutch government, as the company needed the Netherlands more than Ford did. However, this expectation could not be proven by means of the primary sources; on the contrary. The explanation for this can be found in the role of location, sector, and corporate strategy.

Corporate strategy was good for the bargaining position of The Dow Chemical Company and Dow Terneuzen, and eventually bad for Ford Netherlands – although good for Ford Motor Company in Detroit. With sector and location the story was in fact the same; it helped Dow Terneuzen, but worked against Ford Netherlands. The role of state-owned or state-backed companies was actually bad for both companies. The nature of the subsidiary – an assembly plant for Ford, an integrated production complex for Dow Terneuzen – worked in favor of Dow, and against Ford Netherlands.

The Dow Chemical Company and its subsidiary in Terneuzen were dominant in almost all the cases – except for the DSM patent case – while Ford Netherlands lost both cases. However, Ford Motor Company in Detroit was best able to achieve its objectives in the last case, and this introduces the two final conclusions. The only instances in which The Hague clearly had the upper hand, was when they protected a state-backed or state-owned company (Ford 1950s case and Dow-DSM patent case). More research is required to find out whether this is a coincidence. It can already be stated, however, that even in cases where a national government manages to become dominant, it can only retain that position as long as the headquarters of the multinational are of the opinion that they actually need the subsidiary, and that it is too expensive to move the subsidiary to another country. Only if the situation meets these two requirements, can a national government obtain the upper hand in the power relation with a multinational. It is, however, up to many other aspects, including sector and location, whether the national government will actually be able to become dominant.

List of abbreviations of the consulted archives

IISH and DEHA = International Institute for Social History (Amsterdam) and Dutch Economic History Archives (Amsterdam)

- AWC = Archives works council Ford Netherlands

NL-HaNA = National Archives (The Hague)

- AOK and AZ = Ministry of General Warfare of the Kingdom and Ministry of General Affairs

o KMP = Cabinet of the Prime Minister

- EZ = Ministry of Economic Affairs

o CA = Central Archives

SGD.nl = Statengeneraaldigitaal.nl (Digital archives of the States-General of the Netherlands)

UvA BD = University of Amsterdam, UBA Book depot (IWO)

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- Archives works council Ford Netherlands.
- Annual reports Ford Netherlands.

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