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INTERNATIONAL BUSINESS NETWORKS

Thomas David and Gerarda Westerhuis

Introduction
Both markets and hierarchies are primary and complementary governance mechanisms, used to regulate the production and exchange of economic goods and services. Business historians, among others, identify networks as separate organising institutions, in between markets and hierarchies (Casson and Cox 1993). Networks often act as the negotiating interface between firms, workers, state, and society, in different constellations. Therefore, they are often associated with cooperation rather than competition.

A network consists of firms and persons, also known as a two-mode network in social network analysis. Granovetter (1985) shows that they are constrained by the structure of the network but are also important actors that change and influence this structure. Networks and individuals do not operate in isolation, but have to deal with the changing environment they operate in. We therefore follow Carnevali (2011: 910) by conceptualising “networks not as structures (that shape action in a linear fashion) but as ‘processes of relations’ in which actors define each other in interaction and on the basis of their context”. When studying business networks, we should be aware of these external and internal dimensions of their activities. Internally, they have members to consider and, externally, an environment in which they operate. Thus internally networks articulate shared interests, values, and ethics to which members feel acquainted. An important aspect in doing so is the management of diversity in order to get internal cohesion. The external environment, consisting of the state, non-governmental organisations (NGOs), labour, and competitors, possess constraints on and opportunities for them (David and Westerhuis 2014).

Why do business networks, i.e. tightly knit networks of businessmen, exist alongside hierarchies and markets? In other words, why do rational self-interested individuals form business networks? Networks emerge when market institutions fail (when they are weak or don’t exist at all) and individuals start relying on personal connections based on trust (on the notion of trust, see Guinnane 2005). The concept of network has proved to be a useful analytical tool in the context of risk-reducing strategies and the building of interpersonal and informal trust relations. A business network reduces information asymmetries and enhances information flows. In this way their power relies on “their ability to set the parameters of the corporate environment within which all large enterprises must act” (Scott 1991: 188).
International business networks facilitate the integration of foreign markets by building trust when contract enforcement is weak to nonexistent. It is a relatively secure way to expand economic activities across borders. We distinguish among three different obstacles to global market integration that international business networks might help overcome. First, individuals from different parts of the world have different tastes, values, and cultural backgrounds, which might complicate economic transactions. Second, international trade only works efficiently when there is enough information. In other words, individuals can make optimal economic decisions only when they have been adequately informed of all possible options. A third barrier has to do with policies and regulations limiting (international) economic activity.

Thus, globalisation, or the integration of markets, depends on the ongoing mitigation of these obstacles. Business networks can reduce these barriers. First, they can create cohesion among business elites by lessening tensions or taking on common competitors. Second, these networks operating across national borders can help to overcome problems of contract enforcement and provide information about trade opportunities (Rauch 2001). Third, because the state can facilitate these developments by removing obstructions, providing protection, and creating infrastructure, we often see close links between business networks and the state.

International business networks have attracted attention in various fields: business history, sociology, political science, economics, and management. Business history in particular has shown that international business networks are not a recent phenomenon, nor have they been replaced by more formal ways of economic coordination (e.g. by multinationals). In fact, long distance trade was important during the medieval and modern period (Braudel 1981–1984 [1967–1979]). At that time, networks based on kinship, family, or religious ties helped to reduce uncertainty linked to international trade and promote trust (Pearson and Richardson 2008; Gelderblom and Trivellato 2018; see also Chapter 12 on diaspora networks in this volume). With the second industrial revolution, two interconnected trends occurred. First, partly due to innovations in communication and transport, more institutionalised and formal-legal arrangements for doing business emerged (Pearson and Richardson 2008; Rauch 2001). Second, towards the end of the nineteenth century, large companies started becoming increasingly more important in many parts of the world. Economic activities began to be more and more coordinated within multidivisional firms, often having activities across borders, rather than by means of market exchange (Casson and Cox 1993; Chandler 1990). In theory, due to these trends there should have been less of a need for the existence of business networks. However, as we will see, the emergence of formal arrangements and the growing importance of multinationals did not replace international business networks (Rauch 2001).

In this chapter we will explore the role of international business networks in the process of globalisation. We will address the question of how these networks contributed to the making of global business. As it is a very broad topic, we decided to focus on two types of international business networks that connect business leaders at the global level: corporate networks and Business Interest Associations (BIAs) over the course of the last two centuries. Corporate networks are defined as ties between companies created by directors sitting on more than one board (Stokman et al. 1985; David and Westerhuis 2014). A BIA is a type of business network whose goal is to further the interests of businesses (Schmitter and Streeck 1999). One important characteristic of a BIA is that its members are firms that are autonomous entities that “voluntarily” take part in the network. This is in contrast to a business group, for example, which is a group of firms consisting of a parent and subsidiaries that function as one single economic entity (on business groups, see Chapter 15 in this volume).

Although there have been debates among historians and economists on the beginning of globalisation, going back to the sixteenth, eighteenth or nineteenth century (see O’Rourke and...
International business networks

Williamson 1999; Flynn and Giraldez 2004; De Vries 2010), we will focus on the period from the mid-nineteenth century to today. We will see that international business networks flourish during periods of globalisation such as the second half of the nineteenth century or the period after the Second World War, in particular after the 1980s. However, the creation and diffusion of international business networks were not interrupted during the other periods. For example, the First World War “did not serve as a pivot making a decisive retreat from transnational network building” (Rosenberg 2012a: 6; see also Sluga and Clavin 2017).

Another debate concerns the concept used to characterise the networks which favour the exchange of men, goods, and capital across borders, which make possible the economic relations, circulations, or connections between nations. Which term should we use? International, transnational, global, or cosmopolitan business networks? We found all these expressions in the literature. We decided to use international business networks even if, to avoid repetitions, we will sometimes use other expressions. In this sense, we agree with Saunier (2013: 3) when he writes about the debate concerning global/transnational/international histories: “The differences between these approaches are … less important than their common emphasis on relations.”

The chapter proceeds as follows. This section is followed by three consecutive sections on corporate networks, international elites, and BIAs, respectively. In each section we start with an overview of the literature followed by historical insights on the topic. The following section nuances the link between international business networks and the making of global business. In the conclusion we share some ideas on future research.

International corporate networks and transnational elite

Members of (international) corporate networks consist of financial members (banks, institutional investors, insurance companies) and non-financial members (often dominated by listed firms). These networks are used to channel information and communication, via which business can be spread (Mizruchi 1996 for national networks and Nollert 2005 for international ones). These networks are also used to create a kind of cohesion among a certain group of firms and contribute to the lessening of tensions. For example, they might help to reduce opportunistic behaviour by imposing an ethical code of conduct on the members of the business elite (Windolf 2009). Networks might also give access to (financial) resources. Thus information and transaction costs are lowered, and privileged access to markets can be obtained. Externally corporate networks are confronted with the state, NGOs, labour, and so on.

The study of corporate networks has a long history, which goes back to the beginning of the twentieth century with the studies of Jeidels (1905) and Hilferding (1910) in Germany, and of Brandeis (1914) in the United States. Until the 1970s, these studies mostly focus on the national links between corporate networks via interlocking directorates. It is only since the 1970s that scholars begin to look at transnational board interlocks (see e.g. Fennema 1982), a trend that has accelerated since the beginning of the twenty-first century.

National corporate networks, which emerged in many countries with the second industrial revolution at the end of the nineteenth century, began to erode slightly after the 1980s, a decline which sped up during the 1990s (see David and Westerhuis 2014 for the development of corporate networks in various countries). One of the most important explanatory factors for this disintegration has been a conscious strategic choice of disengagement from industrial companies on the part of the banks due to the effects of globalisation and financial deregulation. Another explanation for the decline is the increasing focus of firms on shareholder value and on the professionalization of boards (on the notion of shareholder value, see Lazonick and O’Sullivan 2000). According to some scholars, the recent decline of national networks is also concomitant
to the emergence of a growing transnational corporate network linking the largest multinational firms across the world. Heemskerk et al. (2016) show, in a comparison of the 176 largest firms in the world economy between 1976 and 2013, that transnational networks increased in relative importance during this period.

A way to study international corporate networks is to look at the nationality of the boards of the world’s largest companies. According to Staples (2007), there is evidence that between 1993 and 2005, the board composition of the world’s largest multinationals became more international at a rather rapid pace. However, he puts things into perspective by arguing that this transnationalisation has not yet reached very deep: “Only very few of the corporations studied had more than 50 per cent non-national directors” (Staples 2007: 317–318; see also Burris and Staples 2012).

Others investigate this postulate even more vigorously. For example, Hartmann highlights the persistence of national specificities in the profile of economic elites despite economic globalisation. In a study based on the boards of the 1,000 largest firms and the 1,000 wealthiest persons in the world, he concludes that there is no transnational or global economic elite: the number of foreigners on the boards of these firms is very low, and the business leaders of these companies generally haven’t had vast experience in foreign countries before joining the boards of these firms. He claims that the traditional models and systems of national careers continue to prevail nowadays and constitute an obstacle to the transnational mobility of business elite. Hartmann concludes by saying that a global economic elite is a mythos, and the economic elite is recruited at the national level (2016).

These debates among sociologists and political scientists are interesting but fail to take into account the historical perspective. Most contributions to the transnationalisation of corporate networks and elites deal with recent years (Sklair 2001; Robinson 2004). Widespread evidence shows that this phenomenon already existed in the nineteenth century during the first wave of globalisation. Hannah (2007: 651) formulates this very well when describing London in 1900:

At a time when it took sixty days to travel round the world and international communication was by cable, not the more natural telephone, the social cement of a relatively homogeneous, international elite of merchants and businessmen, with a common European cultural heritage, no doubt aided global business development.

Jones (1987) describes the existence of a cosmopolitan bourgeoisie during the nineteenth century that is linked by international partnerships, kinship ties, and a common liberal ideology. Commercial networks created by diaspora communities, such as Chinese, Indian, or Greek communities, were key players in international trade during this period (Jones 2008: 146–147; see also Chapter 12 on diaspora networks in this volume). Moreover, the place of registration and nationality of shareholders and managers of large firms were clearly not confined to national borders. It is only during the interwar period that this “cosmopolitan capitalism” was replaced by national identities, a process reinforced by the Second World War (Jones 2006; see also Wagner 2005 or Hannah 2007).

The Swiss case is very representative of this transnational dimension before the First World War and the process of nationalisation thereafter (see Mach et al. 2016). The proportion of foreigners among the largest Swiss firms was more significant in 1910 (11 per cent) than in later decades. Indeed, only 3 to 4 per cent of foreigners sat on the boards of the largest Swiss companies from the 1930s to the 1980s. It is only since the 1980s that the number of foreigners has been increasing to the point that Swiss boards are actually among the most internationalised among developed countries (Ruigrok and Greve 2008).
Other, more peripheral, countries, where foreign multinationals play an important role, are interesting cases because they show that international corporate networks are not only influenced by changes in the economic environment, but also by alterations in political regimes. For example, foreigners (French, German) and minorities members (mostly Jews) were very present in the Bulgarian big business scene during the interwar period. During the Great Depression their influence started to diminish but it was only with the communist regime that foreigners vanished almost entirely from Bulgarian firms (Ivanov and Ganev 2014). Hungary experienced the same evolution as Bulgaria during the communist period. However, after the fall of the Berlin Wall, foreign-owned firms became progressively more integrated into the broader corporate network (Stark and Vedres 2006). In Argentina, too, the process of nationalisation led by Peron after the Second World War saw the decline of the “cosmopolitan” corporate network where foreign and local capital forged coalitions and built collaborative strategies (Lluch and Salvaj 2014). After Taiwan (which was conquered by Japan in 1895) had its first taste of independence in 1947, all the Japanese companies’ assets were transferred to the new government of Chiang Kai-Shek, which transformed them into publicly owned firms (Lee and Velema 2014).

We know international corporate networks exist, but it remains difficult to assess these networks’ real influence across borders in order to lower transaction and information costs. This influence is often assumed; only some papers focusing on the national level deal explicitly with the question. Davis (1991) for example finds that firms that are centrally located in the network and are interlocked with firms that have already adopted the poison pill are more likely to adopt this takeover defence as well. Haunschild (1993) investigates inter-organisational imitation by analysing the relation between interlocks and the acquisition activities of firms. She finds that directors transfer information on the efficiency of certain policies by observing the consequences of management decisions. There is even less evidence of the transfer of information and ideas on an international level. For example, it would be very interesting to see how the idea of shareholder value became so dominant over the last four decades (Lazonick and O’Sullivan 2000). The ideas of agency theory, which form the basis of the shareholder value conception of the firm, are “derived not from inductive observation and practical experience but, instead, from the theoretical musings of a newly revitalised neoclassical economic theory” (Fourcade and Khurana, 2013: 151). Economists brought the deductive, theoretical approach to business schools. For example, William Mckling and Michael Jensen, both graduates from the University of Chicago, played an important role in the dissemination of these ideas, both within academia as well as in the press (for more details on the spread of these ideas, see Fourcade and Khurana 2013: 151–153). Heilbron et al. (2014) show the role of corporate raiders and pension funds in the diffusion of the shareholder value conception. According to them, corporate raiders used the economic crisis of the early 1980s to oppose management and acquire shares in undervalued firms, while threatening to restructure and partially sell shares in the name of shareholders’ interests. The Council of Institutional Investors was founded in 1985 in tandem with the adoption of the shareholder value doctrine, introducing organised activism to pension funds with regard to the management of firms (Heilbron et al. 2014; see also David et al. 2015 for the Swiss case). However, more research needs to be done on how ideas spread and what role international corporate networks play. Business schools seem to play an important role, which brings us to the inner circle of transnational elites and the importance of education and social clubs.

Creating cohesion among the transnational elite

The inner circle forms an important component within corporate networks. This close group of well-connected elites with shared norms and values is expected to defend not only their own
interests, but also those of the business elite as a whole. “It has the capacity to discipline corporations and corporate elite members whose individual behavior may be contrary to the interests of all; and it can legitimately represent itself as the general voice of big business” (Useem 1980: 62). The inner circle often has political ties and can influence state policies. At the international level, there are very few studies on the interactions between these business networks. However, it seems that an “inner circle of cosmopolitans” exists at the end of the twentieth century, composed of corporate directors sitting on the boards of companies in different countries and belonging at the same time to transnational policy groups (Nollert 2005; Caroll 2010: ch. 2).

For transnational class to be able to lower obstacles to globalisation, it is important to build trust and shared norms and values; in other words, to build a strong inner circle. One way to do so is by standardising education; yet another is by participating in social clubs. Useem (1984) emphasises the importance of inner circle educational networks for two reasons. First, people who study in the same institution create strong social bonds. Second, schools help to create common ideas and values among business elites. Some scholars argue that after the Second World War (in particular since the 1980s), managers have increasingly held MBAs from American or European business schools, which has helped to create a transnational community. For example, Brezis finds that more than 40 per cent of the business and political elites of the developed countries have attended one of the top 50 universities in the world, which she calls the international elite universities. “In consequence, we face today a scenario where the elites of the world become uniform. They obtain the same education, move in the same milieu, and imbibe the same culture” (see Brezis 2010: 16). Others disagree with this statement. Hartmann (2016) is sceptical about this trend. Interestingly, the transnationalisation of elites through education is not new. During the nineteenth century, the recruitment and education of elites was a family business: heirs of family firms were often sent abroad in a form of apprenticeship, either to foreign agents or to firms with which the family firm had close working relationships (Byrkjeflot 2001; Wagner 2005). It is since the end of the nineteenth century that we see progressively emerging national models of management education, which would dominate until the 1980s (see Chapter 8 in this volume).

Useem also emphasises the importance of social clubs for the cohesion of the inner circle: “Social cohesion implies that the inner circle is truly a circle: acquaintanceship networks are dense, mutual trust and obligation are widespread, and a common sense of identity and culture prevail” (1984: 63). Sociologists have underlined the importance of such clubs for the contemporary transnational elite (Cousin and Chauvin 2012; Beaverstock 2011). Historically, however, they have also played a role for the social cohesion of the transnational elite. For example, Rotary expanded during the twentieth century to become a “globe-spanning organisation” (Wikle 1999; see also De Grazia 2006). Even if these clubs show strong differences at the regional and national level, as a transnational network, Rotary International evolved during the interwar period “into a middle ground for U.S. and non-U.S. business and professional classes” (Goff 2008: 326). Other studies emphasise the importance of social clubs at the transnational levels, which strengthens interlocking directorates. For example, Brayshay et al. (2005) analyse the networks of the capitalist elite of 12 major multinationals active across British imperial territories between 1900 and 1930 and show that in the early twentieth century, there was an interconnected corporate elite running large companies whose interests were spread across the world. This elite was not only linked through boards of directors, but they also belonged to the same social clubs, such as the Carlton Club (Brayshay et al. 2005: 217–219). In yet another article, they investigate the social network of Patrick Ashley Cooper who was appointed governor of the Hudson’s Bay Company in 1931. Cooper’s diary shows how his strong transnational social life was embedded in his international corporate network:
As in London, the diaries show that meetings were held in company premises, the dining rooms of banks and hotels, embassies, government offices and the official residences of ministers and other political figures. Moreover, just as in London, Cooper was made a member, or he was admitted as a guest, to gentlemen’s clubs in the major cities that he visited in Argentina, the United States, Canada and South Africa.

(Brayshay et al. 2006: 995)

International corporate networks are an important source of international contacts and information sharing. They help to lower information and transaction costs, and to get privileged access to foreign markets. The evolution of international corporate networks shows that these cross-border networks are not a recent phenomenon, but rather they already existed in the nineteenth century. However, this section also shows that the networks are not strictly global networks, because important parts of the world, where large (multinational) firms do not or hardly exist, are not included in the networks. Although the transnational elite shares membership in social clubs and, more recently, standardised education, it seems reasonable to conclude that they still have deep-rooted connections with their home countries.

Thus, international business networks’ contribution to globalisation is due to the fact that the inner circle is formed by a group of international businessmen whose new ideas and opinions have been spread across borders and who have tried to influence politics. The latter often happens by means of BIAs. BIAs help to coordinate the actions of corporate networks and strengthen their political influence. At the same time, corporate networks help to reduce internal divisions within BIAs:

despite their greater complexity and variety there seems to be a markedly lower level of tension, discord and conflict among BIAs than among the associations of any other class or status group. … coordination is achieved through an invisible network of interlocking directorates and financial connections.

(Schmitter and Streeck 1999: 23–24; see also Ginalska and Eichenberger 2017)

We will now turn to the BIAs.

International BIAs

Schmitter and Streeck (1999) define two logics that frame the actions of BIAs. On the one hand, they engage with their members in a logic of membership. On the other hand, BIAs interact with the state, NGOs, and labour organisations (logic of influence). Their actions are situated at the intersection of these two logics, which implies constraints on and opportunities for them. The management of diversity due to the heterogeneity of its members’ interests is central to the functioning and efficiency of these associations.

Various scholars have tried to make typologies of BIAs. The most common one is the distinction between trade associations and employers’ associations. Trade associations are organised around a certain sector or product and provide services for their members but also act as lobbying groups in the political spheres. Employers’ associations, on the other hand, are active in industrial relations issues (Lanzalaco 2008). The former, it would appear, are more likely to develop in international associations than the latter, which are organised more on a local or regional basis reflecting the labour market. Carroll (2010) puts forward another typology more focused on international BIAs and on the recent period. He identifies three (neoliberal) groups among international BIAs for the recent period. The first one “calls for a complete global laissez-faire,
drawing on fundamental neoliberal tenets of monetarism, state deregulation, ‘spontaneous’ order of market relations, and possessive individualism” (Carroll 2010: 39; based on Robinson and Harris 2000). The International Chamber of Commerce (ICC) can be considered as representative of this stream. BIAs defined in the second group try to promote neoliberalism with a managerial role for the state in order to bring some stability to world markets. According to Carroll, the Bilderberg meetings belong to this second faction. The third one calls for a “broader regulatory apparatus” and includes organizations such as the World Business Council for Sustainable Development (WBCSD) created in 1995. Carroll (2010: ch. 2) states that these transnational policy groups play a very important integrative function among transnational boards.

The literature on international BIAs, dominated by political scientists and sociologists, has been concentrated on organized business in relation to European integration, resulting in a focus on associations established after the Second World War. However, this transnationalisation dates back even further in time. Galambos traced the roots of BIAs almost back to the Middle Ages: “Fundamentally, however, the organisations [Trade Associations] which businessmen in the modern world have employed to stabilise conditions have performed the same functions as the guilds and have developed along similar lines” (Galambos 1966: 4; see also Chapter 10 on guilds in this volume). Without going so far back in time, we see that already since the mid-nineteenth century business transnational elites met at international congresses. An important condition for the importance of these meetings has been the increasing mobility of individuals due to technological innovations in water transport (steam power and canals), communications (telegraph, overseas cables), and rapidly expanding railroads. As a result, a wide range of international congresses was organized in the United States and Europe beginning in the 1850s, when transnational knowledge was exchanged (Leonards and Randeraad 2015). More specifically, business elites tried to organise themselves during the second half of the nineteenth century when chambers of commerce took advantage of the World Exhibitions in order to create international contacts (Robins 2015; Druelle-Korn 2017). As we will see, the First World War did not put an end to this transnational spirit with the creation of a small – in comparison with the other periods – number of transnational BIAs.

After the Second World War, BIAs experienced another period of “transnationalisation”, as well as “Europeanisation”, characterised by the rapid emergence of many associations and federations that became active in lobbying and regulatory activities. According to Lanzalaco, this wave of transnational BIAs “can be interpreted as the attempt to create peaceful cross-border relationships among national capitalists, in order to avoid further military conflicts” (2008: 308). Rollings and Kipping (2008) show the importance of the economic function alongside the political function of these business associations. These kinds of forums were often informal meetings where ideas and information were multilaterally exchanged in uncertain times. This included, in part, the exchange of economic knowledge so as to reduce uncertainty and risks for firms. Lanzalaco (2008) identifies a last wave of transnationalisation of BIAs beginning in the 1980s, which is linked to the increasing process of regionalisation and globalisation of the economy.

We will now describe the activities of some of these transnational BIAs which are representative of the three categories put forward by Carroll and which reflect the three periods we just described. Even though ICC was created in 1919, it originated in the period before the First World War with the Union Internationale des Chambres de Commerce, created in 1905 (Rosengarten 2001). It was founded in order to facilitate international trade, a goal that it is still pursuing to this day. Only five countries were members of this organisation at its creation. Nowadays, more than 90 countries are affiliated. In order to promote international trade, ICC follows two approaches (Kelly 2005). On the one hand, it operates via political advocacy and
lobbying directed at national governments and international organisations. For example, ICC has collaborated with other international organisations, such as the League of Nations (Ridgeway 1959) and the United Nations Conference on Trade and Development (UNCTAD) (Sauvant 2015) throughout the twentieth century. On the other hand, ICC provides services to business in general by creating international norms or standards (Kelly 2005). For example, ICC defined the Incoterms rules, or International Commercial Terms, after the interwar period (Jolivet 2003). ICC has also offered services in the domain of international commercial arbitration, having founded the ICC International Court of Arbitration in 1923 (Lemercier and Sgard 2015). By alleviating problems in contract enforcement and providing information about trade in numerous countries, ICC has tried to promote international trade throughout the twentieth century.

As we have seen, the internationalisation of BIAs after the Second World War was in part related to European integration. Numerous BIAs were created such as the Union des Industries de pays de la Communauté Européenne (UNICE) in 1958. However, elite networks were also created that involved non-state actors and that were not only related to European integration. An example is the Bilderberg meeting. Next to European issues, it was meant for improving relations with the United States. Thus, when Joseph Retinger founded the Bilderberg Group in 1952 with the help of Prince Bernhard of the Netherlands, Belgian Foreign Minister Paul van Zeeland, and Chairman of Unilever Paul Rijkens, one of its aims was to improve the increasingly tense relations between Western Europe and the United States. By bringing together an important group of Europeans and Americans, it contributed to a sense of shared values and interests on the transatlantic level between Western Europe and the United States (Richardson et al. 2011; Schaufelbuehl 2016).

The WBCSD was created in 1995 during the third wave of transnationalisation of BIAs. It is a worldwide organisation that focuses on environmental issues. It reflects,

> a maturing elite awareness that transnational corporate enterprise must be coupled with consensus over environmental regulation. … The WBCSD promotes, as an alternative to state regulation of capital, a global self-regulatory framework, emphasising benchmarking and “best practices” as voluntary means towards green capitalism. 

>(Carroll 2010: 216–217)

By creating common values and interests, sharing important knowledge among their members, and lobbying for fewer and/or more consistent regulations, international BIAs (and international corporate networks) play an important role in lowering the barriers to globalisation. However, we want to make a few remarks in the next section to nuance this conclusion.

**International business networks and global trade**

First, international business networks are not a recent phenomenon, nor do they emerge only in times or places where market institutions fail. International business networks are clearly related to periods of globalisation, e.g. the period between 1870 and 1914 and the period after the 1980s. However, during periods of more protectionism and/or political tensions (or even war), they also seem to be important players to keep or improve relations. ICC clearly plays such a role during the interwar period (Rosengarten 2001).

Second, the evolution of different types of international business networks reveal that it is hard to speak of strictly global networks, as important parts of the world are not included in the networks. A more accurate term would be international, or transnational, networks. The
members of these networks mostly come from Europe and North America, whereas African countries are often not involved. For example, Carroll (2010), in a study of the 500 largest firms, shows that in 2006 a North Atlantic ruling class remains at the centre of the process of transnational capitalist class formation, although it finds a modest participation of corporate elites from the Global South. Historically, Asian countries are extensively connected through regional networks, but have relatively fewer connections to other parts of the world (Lee and Velema 2014).

Third, also interesting is the fact that despite the existence of international networks, in many cases the national home country remains very important. These international networks and actors are profoundly embedded in national or urban networks. These different geographical levels (local, regional, national, or international) should not be opposed but integrated into a “scalar conception that suggests human societies, polities, activities and non-human factors are organised into levels that go from the local to the global, through the national, with each one fitted into the other according to some pyramidal structure” (Saunier 2008: 171; on the interactions between these scales, see also Tyrrell 2009 or Middell and Naumann 2010). During the eighteenth century, some British business networks were thus profoundly embedded in political, social, and cultural networks at the city and regional levels, and were at the same time very active in transnational trade through global connections (Pearson and Richardson 2008: 766; see also Lüthy 2005). This is still the case; for example, the organisation of ICC relies on national committees that are often closely linked to regional or urban chambers of commerce.

Fourth, in certain circumstances, international business networks can hinder the globalisation process (see also Chapter 32 on imitation and global business in this volume). We will show this by focusing on international cartels, which can also be considered as business networks (Fear 2008). Internally, it is important to coordinate their actions and to avoid cheating members. Communication and diffusion of information therefore play a very important role within the cartel. Externally, cartels aim to create barriers of entry in order to fight against competitors. Moreover, cartels have close and conflicting interaction with governments.

We emphasise two points that are relevant not only for international cartels, but also more broadly for international business networks in general. First, their perception and impact have been influenced by the economic, social, and political environment. The evolution of cartel legislation during the twentieth century illustrates this phenomenon. Second, we focus on the debate about the impact of international cartels on economic development.

Since the end of the nineteenth century, private international cartels – which comprise firms from more than one country – have been flourishing across the world (Schröter 1996). They have emerged in very different industries and sectors. Although the functions of international cartels seem not to have changed fundamentally since the end of the nineteenth century, their external institutional environment has evolved considerably, which explains why international cartels were progressively banned after 1945. The interwar years are often described as the golden age of international cartels – they controlled an estimated 30–40 per cent of world trade during the 1930s (Levenstein and Suslow 2008: 1108). It is interesting to note that international cartels gained legitimacy during this period. The collaboration of some of the active firms in these cartels with international institutions such as the League of Nations and ICC helped to forge a public discourse that was able “to transform private and secret organisations into instruments of public utility” (Bertilorenzi 2015: 45). After the Second World War, anti-cartel legislation was introduced in Germany and Japan partly due to the pressure of the US government (Freyer 2006). In 1962, Regulation 17 of the Treaty of Rome banned cartels and gave a clear priority to the fight against cartels in Europe. However, the implementation of this regulation proved difficult (Warlouzet 2016). The prosecution of international cartels was generally avoided for political and economic reasons:
In some cases, international cartels had the active support or participation of sovereign states, making prosecution politically sensitive, if not impossible. In others, international cartels were the sole source of supply of critical raw materials (such as potash), making prosecution risky for the economy as a whole.

\[\text{Levenstein and Sislow 2008: 1111}\]

It is only in the 1990s that prosecutions of international cartels became very active due to the globalisation process and adoption of corporate amnesty programs. This movement began first in the United States, then spread to Europe and other regions around the world (Freyer 2006).

Economists argue that cartels led firms to raise prices and restrict output. In a review on the function and impact of cartels, Levenstein and Sulow (2006: 86) emphasise that cartels seem to increase prices and profits, even though more careful studies would be necessary to fully understand the economic effects of international cartels. One of the reasons why international cartels do not stimulate international trade is that they create and enhance entry barriers. Indeed, Rauch (2001: 1200) writes that the “organisation of international trade through networks may hinder its growth if transnational networks tend to be closed to new members”. These restrictions can lead to the creation of rents captured by private business networks (see Pearson and Richardson 2008 for the eighteenth century). This is an important conclusion: in certain cases, international business networks, such as the Mafia, can create harmful forms of cooperation, in which “bad behaviour spreads”. Thus, these harmful forms of cooperation point out that networks “do not always include everybody; at times social networks work for some (the powerful) and harm others (the weak)” (Carnevali 2011: 909).

**Future research**

In conclusion, we would like to put forward three research avenues. First, more attention should be paid to agency in order to explain the role and evolution of these international business networks as emphasised by Rosenberg (2012b: 819) in her study of social and cultural transnational networks during the second part of the nineteenth century:

An examination of global currents helps direct attention to particular people who shaped the emergent networks and affiliations and who served as conduits for exchanges connecting several planes of analysis. A focus on people and their connections can help make visible how the realms of the transnational, the national, and the local intersected.

Second, it remains extremely difficult to measure the real influence of international business networks. In his study of the World Economic Forum, an influential agent in the global political economy, Graz (2003: 322) argues that it is almost impossible to measure the power of such groups, because “the influence of an elite club on a particular issue of global politics hinges, by definition, on loose and informal channels of power”. It is the reason why more research is needed to analyse how knowledge and ideas are being spread through these networks. Third, studies on international business networks should not focus only on their positive impact. Business networks, such as international cartels, are vehicles of inclusion and exclusion. Because these international networks are often not truly global, they risk increasing the great divergence between the West and the rest of the world. In other words, the European and American dominated business networks might decide upon important societal issues without having listened to voices in the rest of the world. In studying international business networks, “we cannot shy...
away from investigating issues such as hegemony, conflict, and exclusion” (Carnevali 2011: 909). At their core, international business networks are driven not only by trust, but also by power.

References


International business networks


