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**US MULTINATIONALS IN THE NETHERLANDS IN THE 20th CENTURY:  
“THE OPEN GATE TO EUROPE”**

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THIS TEXT IS ONLY THE FIRST DRAFT OF A STUDY WHICH IS DEVELOPED FOR THE HELSINKI CONFERENCE OF AUGUST 2006, BUT WHICH WILL BE SUPPLEMENTED FOR THE FUTURE PROCEEDINGS.

Dutch investment relations with the United States date back to before the American Declaration of Independence<sup>2</sup> in 1776. In the nineteenth and early twentieth centuries, Dutch investors were particularly interested in American railroads and tracts of land<sup>3</sup>. In contrast, American direct investments in the Netherlands before 1900 were sparse, however, at the end of the twentieth century the US was the largest foreign investor in the Netherlands and the Netherlands the second largest recipient of US direct investments in Europe after Britain. Despite its importance, historical research into American FDI in the Netherlands, particularly their strategy, reception and adaptation, is still rare. The American economists Frank A. Southard and Frank Stubenitsky wrote two older but still interesting studies<sup>4</sup>. Dutch research on the same subject includes a study by Royal Dutch/Shell manager Hans van der Haas and dissertations by geographers Adriaan Loeve and René Wientjes<sup>5</sup>. In addition to these studies, several articles appeared in specialised journals<sup>6</sup>. However, until now there exists no

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<sup>2</sup> The early history is discussed in Russell Shorto, *The Island at the Centre of the World* (London 2005). For a general discussion: Mira Wilkins ‘Dutch Multinational Enterprise in the United States: A Historical Summary’, *Business History Review* 79 (Summer 2005) 193-275; Ferry de Goey ‘Dutch overseas investments in the very long run (c.1600-1990)’, in Roger van Hoesel and Rajneesh Narula (eds.) *Multinational Enterprise from the Netherlands*, London, 1999, pp. 32-60. On financial relations: James C. Riley, ‘Financial and Economic Ties. The First Century’, in J.W. Schulte Nordholt and Robert P. Swierenga (eds.) *A Bilateral Bicentennial. A History of Dutch-American Relations, 1782-1982*, Amsterdam, 1982, pp. 49-66. On Dutch investments in railroads: A.J. Veenendaal, *Slow train to Paradise. How Dutch investment helped build American railroads* (Stanford 1996); A.J. Veenendaal, *American railroads in the nineteenth century*, Westport, 2003.

<sup>3</sup> Cleona Lewis *America's Stake in International Investment*, Washington, DC, 1938, pp. 41-45.

<sup>4</sup> Frank A. Southard, *American industry in Europe*, Boston 1931; reprint London, Routledge, 2000; Frank Stubenitsky, *American direct investment in the Netherlands industry. A survey of the year 1966*, Rotterdam 1970; reprint London, Routledge, 2001.

<sup>5</sup> H. van der Haas, *Ondernemingsproblemen. Diagnose en therapie. Een vergelijking van Europees en Amerikaans ondernemerschap*, Leiden, 1968; A. Loeve, *Buitenlandse ondernemingen in regionaal perspectief: vestigingsstrategieën en regionale effecten van buitenlandse bedrijven in Nederland*, Utrecht, 1989; R. Wientjes, *Regionaal-economische effecten van buitenlandse bedrijven. Een onderzoek naar verankering van Amerikaanse en Japanse bedrijven in Nederlandse regio's*, Utrecht, 2001.

<sup>6</sup> For example: F.W. Botzen ‘De omvang, het belang en de voor- en nadelen van Amerikaanse vestigingen in Nederland’, *Tijdschrift voor Vennootschappen, Verenigingen en Stichtingen (TVVS)* 5,

historical outline of American FDI in the Netherlands in the Twentieth Century. Our text attempts to address this lacuna. Besides, information on American FDI in the Netherlands is primarily concerned with successful investments. In the course of the century a still unknown number of American companies made direct investments in the Netherlands but decided to divest in due time<sup>7</sup>. Our investigation is thus necessarily incomplete.

While Americanization has become a familiar concept, although still hard to describe, Europeanization is far less well known<sup>8</sup>. Americanization refers to the diffusion of US made ideas and products to other parts of the world and in the end, these people become “more American-like”<sup>9</sup>. Some observers believe that buying American products means accepting “irresistible American values”, but in fact, the process is much more multifaceted<sup>10</sup>. Opponents of Americanization often view it as altogether undesirable because of the loss of one’s own culture. This view, however, assumes that cultural exchanges are a zero-sum game. Therefore, in Europe, Americanization has often come to mean de-Europeanization<sup>11</sup>.

Europeanization suggests not merely the acceptance of foreign ideas and goods, but an active and selective adaptation, reworking and translation. Europeans were never passive receivers of American values, products or ideas (e.g. management models)<sup>12</sup>. American companies in Europe may have started using their own ideas about management, production and distribution, but in most cases they also adapted to national and local conditions.<sup>13</sup> There are at least two important reasons for the limits of Americanization. First of all, Americans themselves held divergent views on what “the American model” actually represented. Secondly, Europeans also had different

1971; Buck Consultants International, *Ontwikkeling vestigingspatronen Amerikaanse en Japanse bedrijven in Europa*, The Hague, 1998.

<sup>7</sup> According to Wientjes in the 1984-1994 period 353 new American and Japanese investments and 229 divestments were made. However, there are no figures for US companies alone and not for our whole period. Wientjes, *Regionaal-economische effecten*, p. 66.

<sup>8</sup> Rob Kroes, “Americanisation: what are we talking about?”, in R. Kroes, R.W. Rydell & D.F.J. Bosscher (eds.) *Cultural transmissions and receptions. American Mass Culture in Europe*, Amsterdam 1993, pp. 302-319; Harm G. Schröter, *Americanization of the European Economy. A compact survey of American economic influence in Europe since the 1880s*, Dordrecht, 2005; Bruce Kogut & David Parkinson, “The Diffusion of American Organizing Principles to Europe”, in Bruce Kogut (ed.) *Country Competitiveness. Technology and the Organization of Work*, New York/Oxford, 1993, pp. 179-203; Marie-Laure Djelic, *Exporting the American Model. The Post-War Transformation of European Business*, Oxford, 1998.

<sup>9</sup> Richard Pells, *Not Like Us. How Europeans have loved, hated, and transformed American culture since World War II*, New York, 1997; Victoria de Grazia, *Irresistible Empire. America’s Advance through 20th Century Europe*, Cambridge, Mass., 2005.

<sup>10</sup> Richard Pells, “American culture abroad: The European experience since 1945”, in R. Kroes, R.W. Rydell & D.F.J. Bosscher (eds.), *Cultural transmissions and receptions. American Mass Culture in Europe*, Amsterdam, 1993, pp. 67-84;

<sup>11</sup> An interesting feature of this discourse is the emergence of an ‘European culture’ – whatever that means – as opposed to American culture.<sup>11</sup> For instance, Dutch nineteenth and early twentieth century travellers often compared America with Europe and not the Netherlands. Several books on the European managerial style are published. See Helen Bloom, Roland Calori & Philippe de Woot, *Euro management. A new style for the global market*, London, 1994.

<sup>12</sup> Matthias Kipping and Lars Engwall (eds.), *Management Consulting. Emergence and dynamics of a knowledge industry*, Oxford, 2002.

<sup>13</sup> Mauro F. Guillén, *Models of Management. Work, Authority, and Organization in a Comparative Perspective*, Chicago/London, 1994; Kogut & Parkinson, “The Diffusion of American Organizing Principles”, pp. 179 -203.

ideas and images of America and not everyone was convinced of their superiority.<sup>14</sup> From the 1960s, the US increasingly felt the impact of Western Europe. European companies began exporting their products, often copies or re-modelled American goods, to America. In addition, European companies invested in the US and acquired American firms, established joint ventures or made greenfield investments<sup>15</sup>. This rather complicated process of transmission and reception is known by social scientists as mediation, domestication or creolisation<sup>16</sup>. According to De Haas, American companies preferred countries with the same cultural background or little “psychic distance” for their FDI (e.g. Canada)<sup>17</sup>. American managers were largely ignorant of European conditions and the numerous, often subtle, cultural, political and economic differences between European countries. Top management implemented American management ideas and usually required the same financial results from their European subsidiaries. This attitude resulted in numerous failed investments and advertisement campaigns. Europe was a difficult market and American managers sent off to Europe perceived this as degradation not a promotion<sup>18</sup>.

This text addresses the question why and how US multinationals choose to invest in the Netherlands in the twentieth century. What strategy did US multinationals use: Greenfield investments, joint ventures, or acquisitions? What internationalisation pattern did the US companies follow? How did the Dutch perceive these foreign investments and how did American companies present themselves in the Netherlands? Did these US multinationals adapt to the Dutch business environment? After a short history of Dutch-American relations, we analyse the extent of American investment in the Netherlands on a macro-aggregate level: total value of the investments, the number of affiliates, the value by sector of industry, the regional variations and various investment strategies in due time. The next section presents detailed case studies of three major US companies in the Netherlands, i.e. Ford, IBM and Dow Chemical. The cases are used to explore and describe the internationalisation pattern of US companies in the Netherlands, as well as their adaptability in the Dutch environment. In addition, despite the small number of cases some preliminary conclusions will be drawn about the Americanisation of the Dutch business environment and the Europeanization of the US multinationals in the Netherlands.

## 1. Dutch-American relations: a short history

The Netherlands is a small country surrounded by several large ones, including Britain, Germany and France. This historical and “geographical accident” made the Netherlands a natural provider of services to others: collecting, storing and

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<sup>14</sup> Jonathan Zeitlin, ‘Introduction: Americanization and Its Limits: Reworking US Technology and Management in Post-War Europe and Japan’, in Jonathan Zeitlin & Gary Herrigel (eds.), *Americanization and Its Limits*, Oxford, 2000, pp. 1-51.

<sup>15</sup> Examples in: Pells, “American culture abroad”, pp. 79-80.

<sup>16</sup> The term *creolisation* was first introduced by the Swedish anthropologist Ulf Hannerz to investigate the effects of cultural globalization, including ‘glocalization’. It initially referred to linguistic phenomena in the Caribbean, but has been applied to other areas and processes of cultural exchange. Ulf Hannerz, *Cultural Complexity: Studies in the Social Organization of Meaning*, New York, 1992.

<sup>17</sup> J. Johanson & J-E. Vahlne, “The Internationalization Process of the Firm-A Model of Knowledge Development and Increasing Foreign Market Commitments”, *Journal of International Business Studies*, 8, 1977, pp. 23-32.

<sup>18</sup> Van der Haas, *Ondernemingsproblemen*, pp. 50-52.

distributing products, money and ideas<sup>19</sup>. Industrial activity developed slow and was mainly related to trade and services. During most of the twentieth century the Netherlands offered American (and other) investors several attractive factors, apart from its central geographical location in Western-Europe, these included a stable political and social climate, an excellent infrastructure, well developed international trading contacts, modern banking facilities, proficient language skills, a positive investment climate, and well educated workers. In the course of the century, especially after 1960, several negative factors emerged, including: red tape, rising wages, employee absenteeism, high company taxes, and a small consumer market.

The Dutch are well aware of the small size of their country and this made them very sensitive to the danger of domination by larger countries<sup>20</sup>. Still, Dutch society could not escape influences by its neighbours, although this varied and shifted in the course of the centuries<sup>21</sup>. The Dutch have learned to assimilate alien influences, and very often they adapted them and made them their own<sup>22</sup>. This attitude partly explains Dutch economic internationalism as is evident in numerous large multinationals, like Royal Dutch/Shell, Unilever, Corus and Reed Elsevier – all four Anglo-Dutch combines – and Philips, AkzoNobel, DSM, ABN-AMRO and ING. The backdrop of this attitude is, according to Peter Lawrence, religious and economic heterogeneity and segmentation at home. It promoted a culture based on negotiating consensus, bargaining and implementing incremental changes<sup>23</sup>. According to Geert Hofstede this culture is also evident in the Dutch managerial style: rather feminine, low levels of power distance, moderately risk avoiding, but still individualistic<sup>24</sup>.

### A. American influences in the Netherlands

Already before 1900, American manufactures and agricultural products flooded the Dutch market (e.g. shoes, sewing machines, and grain). This fostered an interest in the American economy, culture and political institutions<sup>25</sup>. The expression “Americanization” became known and particularly the Dutch elite developed some anti-American sentiments.<sup>26</sup> Fear of Americanization mostly referred to ‘a perceived loss of familiar Dutch social classes; the lowering of levels; moral decay, norms and traditions; the growing economic power of America’<sup>27</sup>. Its involvement in World War

<sup>19</sup> The Dutch historian Johan Huizinga already described this middlemen position in 1933.

<sup>20</sup> Nico Wilterdink, ‘The Netherlands between the greater powers. Expressions of resistance to perceived or feared foreign cultural domination’, in Rob Kroes, *Within the US Orbit: Small national cultures vis-à-vis the United States*, Amsterdam, 1991, p. 13.

<sup>21</sup> In the 18th century, France was the dominant country, but in the 19th century this shifted to Germany and later to Great Britain. Wilterdink, ‘The Netherlands between the greater powers’, pp. 14-16.

<sup>22</sup> Peter Lawrence, *Management in the Netherlands*, Oxford, 1991, p. 4.

<sup>23</sup> Lawrence, *Management*, p. 114.

<sup>24</sup> Geert Hofstede, *Cultures and Organizations. Software of the mind*, London, 1994, pp. 26, 53, 84 and 113; Geert Hofstede, ‘Management Scientist are Human’, *Management Science*, 40, 1, 1994, pp. 4-13.

<sup>25</sup> J.W. Schulte Nordholt, ‘Dutch Travelers in the United States. A Tale of Energy and Ambivalence’, in J.W. Schulte Nordholt & Robert P. Swierenga (eds.), *A Bilateral Bicentennial. A History of Dutch-American Relations, 1782-1982*, Amsterdam, 1982, pp. 251-266.

<sup>26</sup> According to J.W. Schulte Nordholt, emeritus professor in American Studies University of Leiden, the first ever manifestation of anti-Americanism in Europe took place in 1787 in The Hague in front of the first American embassy abroad. J.W. Schulte Nordholt, ‘Anti-Americanism in European culture: its early manifestations’, in R. Kroes & M. van Rossem (eds.), *Anti-Americanism in Europe*, Amsterdam, 1996, p. 7.

<sup>27</sup> Wilterdink, ‘The Netherlands between the greater powers’, p. 22.

I further increased Dutch interest in America because the latter was clearly becoming a world power and thus important to Dutch economic affairs.

During the interwar years, manifestations of anti-Americanism in the Netherlands were primarily directed against mass cultural products. According to Dutch elitist commentators, these products confirmed their views on American materialism, childishness and superficiality<sup>28</sup>. According to the Dutch historian Johan Huizinga, the “American System of Manufacturing” tended to make everything uniform and level. It applied not only to economics, but also to social relations, politics and culture<sup>29</sup>. The majority of the population, however, did not share the negative image, the middle and lower classes. They consumed American products, learned American dances (e.g. Charleston, quickstep, and foxtrot) and enjoyed American movies<sup>30</sup>. In the 1930s, American movies held a market share of about 50-60 percent<sup>31</sup>. Ironically, in the Netherlands the subtitling of American talking movies became the preferred method because it was cheaper than dubbing. This method also helped English words (and culture) to enter Dutch language<sup>32</sup>. During the Roosevelt administration (1933-1945) the image of America was largely positive because its president endeavoured to solve economic problems in a rather un-American manner and, moreover, his ancestors were of Dutch origin. Dutch employers were acquainted with F.W. Taylor’s Scientific Management. However, since the Netherlands knew only few heavy industries and unions were opposed to some ideas, Taylorism was not introduced on a massive scale<sup>33</sup>.

After World War II American influence in the Netherlands grew rapidly. Opinion polls held during the European Recovery Program (also known as Marshall Aid, 1948-1953) showed that the Dutch had a very favourable image of America: in 1948, 85 per cent of the population felt positive about the American aid<sup>34</sup>. Dutch politicians strongly supported American political and economic initiatives (e.g. Bretton Woods, World Bank, NATO) and the Netherlands became a loyal partner of America’s Atlanticism. The one area of discontent concerned Dutch colonialism. While the

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<sup>28</sup> They, however, admired American novelists and critics, such as Upton Sinclair (*The Jungle*) and Sinclair Lewis (*Babbitt*), and their translated books became very popular in the Netherlands.

<sup>29</sup> Bob de Graaff, “Bogey or saviour? The image of the United States in the Netherlands during the interwar period”, in R. Kroes & M. van Rossem (eds.), *Anti-Americanism in Europe*, Amsterdam, 1996, pp. 51-72.

<sup>30</sup> Josephine Baker (1906-1975) popularized the Charleston, while singing her banana song. Wearing hardly any cloths, she performed in 1928 at Pschorr in Rotterdam, a dancehall modelled after French establishments. The (perhaps typical Dutch) Governmental Commission on the Dancing Problem (1931) reported ‘indecent and moral decay’ and pointed to America as the primary source of infection. However, no further measures were proposed to halt this decay. Mel van Elteren, “The ‘roaring twenties’ in a cosy country”, in Rob Kroes, *Within the US Orbit: Small national cultures vis-à-vis the United States*, Amsterdam, 1991, pp. 32-67.

<sup>31</sup> De Graaff, “Bogey or saviour?”, pp. 51-72.

<sup>32</sup> The French expression ‘pardon’ was replaced by the English ‘sorry’ in the interwar years. Van Elteren, “The ‘roaring twenties’”, p. 49.

<sup>33</sup> E.S.A. Bloemen, *Scientific Management in Nederland, 1900-1930*, Amsterdam, 1988.

<sup>34</sup> The economic effect of the Marshall Plan remained limited, but it was much more than just an economic recovery program. It introduced American ideas and values about competition in a free market to replace cartels. Cor A. de Feyter, “The selling of an ideology; the long term economic expectations of the Marshall Aid and their impact in the Netherlands”, in R. Kroes (ed.), *Image and Impact. American influences in the Netherlands since 1945*, Amsterdam, 1981, p. 59; Rob Kroes, “The nearness of America”, in R. Kroes (ed.) *Image and Impact. American influences in the Netherlands since 1945*, Amsterdam, 1981, pp. 9-18.

Dutch government, after the proclamation of independence by Soekarno on 17 December 1945, attempted to restore their authority in the Dutch East Indies, the US pressed for decolonisation and even threatened to withhold Marshall Aid. The Dutch ultimately succumbed to American pressure and recognized the sovereignty of the Republic of Indonesia<sup>35</sup> in 1949. Simultaneously, Dutch employers were well aware of American advances in productivity during and after the war and eagerly tried to learn these technologies through sponsored visits to America. They also learned nonetheless that American society differed markedly from the Netherlands, for instance regarding labour relations, wage policy and the active involvement of labour unions, and therefore they adapted American ideas to meet Dutch values<sup>36</sup>.

After 1945, the Dutch government pursued an active policy of industrialisation, including the attraction of foreign direct investment, preferably by American manufacturing companies<sup>37</sup>. Implementation of this policy remained in the hands of local authorities. In Rotterdam, for instance, the port area was enlarged (Europoort, 1957) to offer attractive industrial sites. In the 1950s and 1960s, several large American companies established facilities in the port, including Dow Chemical (1955), Esso (1957), Gulf Oil (1962), Mobil Oil (1967)<sup>38</sup>. Compared to pre-war levels, total American investments in the Netherlands increased sharply after 1945, mainly in manufacturing, oil and chemicals<sup>39</sup>. The Treaty of Rome (1957) and the establishment of the European Economic Community (today European Union), further increased an interest of American companies to invest in the Netherlands. From an American perspective, the establishment of the EEC facilitated direct investment because Europe promised to become one large market, much like the US. This process, however, took much longer than initially anticipated.

Fear of Americanization mostly disappeared in the Netherlands during the post-war economic prosperity of the 1950s and early 1960s<sup>40</sup>. American culture, products and values were easily accepted, because many felt that they represented progress, modernity and freedom. In the process, however, they lost original features to such extent that they were no longer considered American. According to Rob Kroes, Dutch television did not become americanised, but American models were “Dutchified”<sup>41</sup>.

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<sup>35</sup> This agreement did not include the island of New Guinea. Dutch colonial presence in South East Asia finally ended in 1962 when New Guinea was transferred to the United Nations.

<sup>36</sup> The study trips are discussed in Frank Inklaar, *Van Amerika geleerd. Marshall-Hulp en kennisimport in Nederland*, Amsterdam, 1997, pp. 82-98. An example of adaptation of US ideas is the multinational Philips that in 1953 presented its own Dutch version of “human relations policy” to the press.

<sup>37</sup> Stubenitsky, *American direct investment*, pp. 49-51.

<sup>38</sup> Ferry de Goey, *Ruimte voor industrie. Rotterdam en de vestiging van industrie in de haven 1945-1975*, Rotterdam, 1990.

<sup>39</sup> De Feyter, “The selling of an ideology”, p. 65.

<sup>40</sup> American blues, folk, pop and rock music, whether copied straight from original sources or adapted from British bands, became very popular. Pirate radio stations introduced American style deejays, horizontal programming and music charts. Mel van Elteren, ‘Sounds from America in Holland: the Counter-Culture of the Sixties’, in R. Kroes, R.W. Rydell & D.F.J. Bosscher (eds.) *Cultural transmissions and receptions. American Mass Culture in Europe*, Amsterdam, 1993, pp. 171-198 (172).

<sup>41</sup> Dutch television created its own version of Americanisation: ‘Vertrossing’. Kroes, “Americanisation”, pp. 302-319 (quote: p. 312); Wilterdink, “The Netherlands between the greater powers”, pp. 28-29.

During the presidency of Kennedy, American cultural influence was probably at its height.<sup>42</sup> Following his assassination in 1963 and the increasing military involvement in Vietnam under Johnson and Nixon, America lost most of its positive appeal in the Netherlands. During the 1920s and 1930s anti-Americanism in the Netherlands had been mainly cultural and elitists, but in the late 1960s and 1970s it was largely political and popular<sup>43</sup>. A growing number of American companies invested in the Netherlands, as we will see in Chapter 3, despite President Johnson's tight-money policy to restrict the outflow of dollars and counter inflation. Most American companies kept a low corporate visibility (e.g. using Dutch names for their subsidiaries) during the 1960s because they also felt the public image of America was getting worse. Through their American Chambers of Commerce they conducted a public relations campaign because: "It was the consensus that the need for this stems from the fact that many American corporations, as evidenced by their actions, are unfamiliar with business practices in Europe, with the resulting detriment to the image of American industry in general established in Europe, i.e., the total posture of American business"<sup>44</sup>.

A 1967 report showed three main problem areas: the colossus concept (the fear of "economic colonization" by America), the technological gap between European and American companies, and the need for adaptation of American practices to European conditions<sup>45</sup>.

The first signs of a deteriorating Dutch investment climate became evident after 1965, and these included rising wages, high levels of absenteeism, inflation and unemployment. The Netherlands, however, remained an attractive country for American multinational companies. By 1970, America had become the largest foreign investor in the Netherlands<sup>46</sup>. According AmCham's Annual Report of 1969 the Netherlands provided "easy access to local and world markets through the Rotterdam en Amsterdam harbours, as well as the excellent rail and trucking facilities. The Netherlands continues to welcome U.S. investment, and moreover the Government offers special incentives to foreign industries which establish sites in the less developed areas of the country. Traditional Dutch attitudes toward open trade and free enterprise are as strong as ever. Due to the wide-spread use of English, the language barrier is kept at a minimum"<sup>47</sup>. In conclusion, the Netherlands remained "the open gate to Europe"<sup>48</sup>.

To counter the economic crisis following the OPEC oil boycott (late 1973) and rising oil prices, new legislation was introduced, including a Selective Investment Tax (SIR) that restricted investments in the western part of the Netherlands, in particular in the Randstad (the urban agglomerate which includes Amsterdam, Utrecht, Rotterdam and The Hague). The purpose of the SIR Act was to limit further congestion and to

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<sup>42</sup> Wilterdink, "The Netherlands between the greater powers", pp. 26-27.

<sup>43</sup> Rob Kroes, "The Great Satan versus the evil empire. Anti-Americanism in the Netherlands", in R. Kroes & M. van Rossem (eds.), *Anti-Americanism in Europe*, Amsterdam, 1996, p. 41.

<sup>44</sup> Archive American Chamber of Commerce in the Netherlands (hereafter AACHAM), Minutes of the Council of the American Chambers of Commerce in Europe, February 7, 1964, Madrid, Spain.

<sup>45</sup> AACHAM, "Attitude of American Business in Europe", Jay H. Cerf, 1967.

<sup>46</sup> AACHAM, Annual Report 1967/1968, Den Haag, 1968, p. 6.

<sup>47</sup> AACHAM, Annual Report 1969/1970, Den Haag, 1969, p. 6 ; Letters to the Board, Bijeenkomst Amchams in Europe and Med, EuroMed.

<sup>48</sup> AACHAM, Annual Report 1969/1970, Den Haag, 1969.

stimulate investments in other less developed parts of the Netherlands, i.e. the northern and southern provinces. Since most American companies were located in the Randstad they strongly objected to the act. The newly elected government, headed by the socialist Prime Minister Den Uyl (1973-1977), in which the social-democratic party PvdA held the majority, announced new measures including worker co-determination and “excess profits sharing” (*Vermogens Aanwas Deling -VAD*). American companies protested strongly: “Holland’s attractiveness for US investment has considerably diminished, particularly in view of proposed legislation which would lead to loss of control and managerial freedom in business decisions”<sup>49</sup>. To the business world’s relief, however, the social-democratic plan was never realised. The subsequent Christian democratic cabinets Van Agt (1977-1982), Lubbers I (1982-1986) and Lubbers II (1986-1989) endeavoured to improve the investment climate of the Netherlands. They also actively stimulated new American investments. As a result, in its Annual Report of 1986 AMCHAM concluded: “There is clear evidence that Holland, as a location for plants or European-oriented sales and distribution organizations, scores high.”<sup>50</sup>

Anti-business feelings and anti-Americanism in the Netherlands probably had reached their peak during the early 1970s, but had waned thereafter. However, during the Ronald Reagan administration (1981-1989), anti-Americanism became stronger again. Reagan’s arms race with the former Soviet Union was strongly rejected by the majority of the Dutch population, including NATO’s proposal to station cruise missiles in the Netherlands. An opinion poll held in January 1983 showed that half of the Dutch population, particularly youngsters from 18 to 29 years of age, held a negative attitude towards the US<sup>51</sup>. Nevertheless, Reagan’s monetary economic policy including tax reduction, privatization, and deregulation, inspired Prime Minister and former businessman Ruud Lubbers during the entire 1980s. As a result, despite popular feelings of anti-Americanism the Netherlands remained a reliable partner in business as well as in military affairs.

During the 1990s, Dutch popular sentiments towards America improved because of the normalisation of international relations following the end of the Cold War, an overall positive image of President Bill Clinton (1993-2001) and an economic boom in the second half of the decade. For the first time in the Dutch parliamentary history, the Christian democrats were not represented in the government. During the 1990s, the Netherlands were governed by two so-called purple cabinets (*Paars Kabinet*), headed by former trade union leader Wim Kok, and consisted of a mix of liberals and social democrats. Its policy, which combined further liberalisation of the economy, labour cost reduction, high employment and low inflation, was highly appreciated by foreign governments and companies, and internationally referred to as “the Dutch polder model.”

Large-scale anti-Americanism in the Netherlands, however, appeared again during George Bush Jr.’s administration (2001-present). American military operations in the Middle East were rejected by a majority of the population, as it was against the Dutch historical preference for neutrality and anti-militarism. According to some left wing politicians, America now had become an “Evil Empire” herself, which in fact

<sup>49</sup> AACHAM, Annual Report 1976, Den Haag, 1977.

<sup>50</sup> AACHAM, Annual Report 1986, Den Haag, 1987.

<sup>51</sup> Kroes, “The Great Satan”, p. 46.

threatened Dutch business interests.<sup>52</sup> However, again independent of the political views of the population, US-Dutch business relations remained close at the time. In addition, the Christian democratic Prime Minister Jan Peter Balkenende supported Bush's "War on Terrorism" and America's attack on Iraq whole-heartedly and gave once more proof of the Dutch loyal partnership with the United States. The next chapter will show that the partnership was not only restricted to the military and political sphere, but affected the close investment relations between the two countries as well.

## 2. Overview of US investments in the Netherlands

Although the Netherlands have a long history of investing in the United States reverse direct investment flows started only at the end of the nineteenth century. Before 1940, however, the number of American companies in the Netherlands remained small. According to Stubenitsky the first American company that had started manufacturing operations in the Netherlands in 1896 was food manufacturer Quaker Oats. A little earlier, Singer Company, Pure Oil, Mobil Oil, and Standard Oil (now Exxon Mobile) had set up storage facilities and sales offices in the Netherlands<sup>53</sup>. In the 1920s, IBM had appointed agents, and movie and radio companies set up their sales offices (e.g. Fox, MGM, and RCA). Eastman Kodak established a Dutch subsidiary in 1929 while Ford build an assembly plant in Amsterdam in 1932, which had been exceptionally large and a new type of investment at the time.

In 1929, American operations in the Netherlands were valued at \$43.2 million of which a quarter was in the petroleum sector alone (mainly storage and marketing). At the beginning of the 1930s, during the crisis years the value of US direct investment decreased to only \$18.8 million in 1936, but grew to a mere \$59.6 million<sup>54</sup> again in 1943. In addition, in the 1920s and 1930s American rubber and tire companies had made substantial investments in plantations in Sumatra, Dutch East Indies, which amounted to nearly \$10 million.<sup>55</sup> Following the US' entry into World War II on the Allied side American investments in the Netherlands were put in the hands of a German custodian of enemy property and had become immobile. After the liberation, however, US investment flows began to grow again. In 1950, the value of the American investment flow in the Netherlands amounted to \$84 million and the total investments were valued at \$191 million. In the immediate post-war period, 34 new companies started their operations; by the end of that year, 195 US companies had their affiliates in the Netherlands (see Table 1).

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<sup>52</sup> Kroes, "The Great Satan", p. 48.

<sup>53</sup> Stubenitsky, *American Direct Investments*, p. 43.

<sup>54</sup> *Ibidem*.

<sup>55</sup> Robert W. Dunn *American Foreign Investments* (New York 1926) 162; Lewis, *America's stake*, 284-285. According to Lewis United States Rubber Company, Goodyear Tire and Rubber Co., and Intercontinental had made large investments in the Dutch East Indies. See also: J. Thomas Lindblad, *Foreign Investment in Southeast Asia in the Twentieth Century*, Basingstoke, 1998.

**Table 1: Number and value of U.S direct investment position in the Netherlands at historical cost (in millions of dollars)**

	Total number of affiliates	Value of the investment in million US dollars
1929	41	43
1936	43	19
1950	195	191
1963	223	446
1966	597	858
1977	836	4,534
1982	674	6,812
1990	848	19,120
1996	1,058	54,118
2000	1,216	115,429
2004	1,493	201,918

Source: Prior to 1930 until 1966: Frank Stubenitsky *American Direct Investment in the Netherlands Industry*, London, 1970, p. 46. For the year 1936: Paul D. Dickens *American Direct Investment in Foreign Countries—1936*, Washington, 1938, p. 9. For the years 1977 to 2004 *US Department of Commerce, Bureau of Economic Analysis (BEA)*, US direct investment position abroad valued at historical cost<sup>56</sup>.

During the 1950s and 1960s, US direct investment in the Netherlands increased rapidly for two reasons. First, after World War II American companies, which had generally flourished during the war, looked for new expansion possibilities around the globe. As a result, a recovering Europe appeared a good investment for US multinationals. Therefore, US investment in Western European countries increased in that period, and within the general pattern the Dutch case was no exception. Second, at the beginning of the 1950s the Dutch government launched an industrialisation programme to transform the country into a modern industrial nation and to solve the main social problem of the densely populated country, i.e. massive unemployment. Part of the ambitious government programme was to attract foreign direct investments in the Netherlands. In 1953 in a fourth memorandum on the industrialisation of the Netherlands, the Minister of Economic Affairs Jelle Zijlstra stated: “Another means for increasing the number of industrial projects brought to execution is interesting foreign enterprises in the industrialization of our country. Of great importance is the fact that in various cases foreign investments form the nucleus of branches of industry new to our country. This importance must, in my opinion, therefore be rated very high, particularly as Dutch industry obtains new “know how” in this way.”<sup>57</sup> Through a combination of investment subsidies, accelerated depreciation schemes and fiscal measures, foreign investors were attracted<sup>58</sup>. Because the United States was one of the few countries with a capital surplus the Dutch government focussed on US multinationals at the time.

<sup>56</sup> Foreign Direct investment (FDI) is not defined uniformly in all countries. According to the OECD Benchmark definition of 1983, the basic criterion was the effective voice in the management. The shareholding percentage, initially the primary factor for FDI which had to be at least 10 per cent or over, was not relevant. Still between the Dutch and US statistics there are great discrepancies due to different statistical methodologies for direct investment. The authors of this article have used the US figures to make an international comparison possible. See: Marius van Nieuwkerk and Robert P. Sparling *The Netherlands international direct investment position*, Dordrecht, 1985; Raymond J. Mataloni Jr., “A Guide to BEA Statistics on US Multinational Companies”, in: *Survey of Current Business*, Washington, 1995.

<sup>57</sup> Ministry of Economic Affairs, *Fourth Memorandum on Industrialization of the Netherlands*, April 1953, p. 10.

<sup>58</sup> Stubenitsky *American Direct Investment*, p. 49.

Although the effect of the Dutch industrialisation policy on the attraction of US investments is not measurable, clearly US FDI grew rapidly during the 1960s and 1970s. The number of US affiliates quadrupled and the value of the total investments even increased over tenfold. In the same period, nonetheless scepticism was expressed – also in official government publications – about the effects of US foreign direct investments in the Netherlands. According to a high-ranking official of the Ministry of Economic Affairs, F.W. Botzen, foreign investments had certain disadvantages for the economy of the host country: “Powerful foreign interests in some lines of business make it difficult for indigenous companies to start new establishments. In addition, there is a danger that the foreign parent company, when sales are not growing and the company results are decreasing or when the local company does not fit anymore in the corporate structure as it has developed in due time, rapidly will close down the subsidiary partly or wholly.”<sup>59</sup> Moreover, Botzen stated, a foreign management will not have a leaning to consider the national interests. As a result, the national economic policy could become less effective. However, the foreign “capital”, he reassured its readers, would never confront the national economic interests because the public opinion would immediately turn against such foreign companies<sup>60</sup>. The Dutch government, including the social democratic cabinets, nonetheless never absorbed the scepticism of its civil service in any legal restrictions during the 1970s. The Netherlands remained an open and welcoming country for American investors<sup>61</sup>.

At the end of 1970s and the beginning of the 1980s, however, the advance of US companies came to a halt. The number of affiliates decreased from 836 in 1977 to 650 in 1985, which was the absolute low point of the 1980s. Due to the second oil crisis, there was a general atmosphere of depression in the Netherlands. Unemployment figures rose rapidly and the investment climate deteriorated. In response to the slump, the Dutch government pursued a moderate monetary policy and began to restructure and liberalise the Dutch economy in the 1980s<sup>62</sup>. Its main target was the reduction of the massive unemployment. It cut down budgets and reduced social welfare schemes. In 1982 the *no nonsense* cabinet Lubbers made a long lasting contract with the trade unions on labour cost reduction (*Verdrag van Wassenaar*). In addition, it started with the privatisation of some major Dutch companies like KLM (airline), PTT (telecom), DSM (chemicals) and Hoogovens (iron and steel).<sup>63</sup> Contrary to some anti-business policies of the 1970s, the government started an economic policy which aim was to stimulate investments in the Netherlands, including those of foreign companies. The Ministry of Economic Affairs set up the Netherlands Foreign Investment Agency (NFIA) to attract foreign direct investments. The NFIA established various agencies in the most important home countries of foreign multinationals, like Japan, Germany, Britain and the United States. However, the majority of agencies were set up in various US cities, i.e. Atlanta, Boston, Chicago, New York and San Mateo<sup>64</sup>.

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<sup>59</sup> F.W. Botzen & P.L.M. Kortekaas, “De relatieve positie van Nederland ten aanzien van de Amerikaanse internationale investeringen”, *Economisch Statistische Berichten*, 24-9-1975, p. 924.

<sup>60</sup> Botzen and Kortekaas, “De relatieve positie van Nederland”, p. 924.

<sup>61</sup> Botzen, “De omvang, het belang”, pp. 145-152. Compared to other EC countries the Netherlands and West-Germany had the most welcoming policy towards FDI.

<sup>62</sup> <http://www.parlement.com/9291000/modulesf/g0caq301>

<sup>63</sup> Jan Luiten van Zanden *Een klein land in de twintigste eeuw. Economische geschiedenis van Nederland 1914-1995*, Utrecht, 1997, pp. 227-237.

<sup>64</sup> <http://www.nfia.nl/worldwide.php?pageid=6>

Because of the government's reorientation and the improvement of the climate for investment, in combination with a general upswing of the world economy in the 1990s, the Netherlands became an attractive destination for American companies again. From the early 1990s to the beginning of the twenty first century the stock of US FDI in the low countries increased ten fold; from around \$19 billion in 1990 to over \$200 billion<sup>65</sup> in 2004. This was making the Netherlands the second largest recipient of US FDI in Europe after Britain. In 2003, the US invested as much in the Netherlands as it did in the whole of Asia. During the last decade, the number of U.S. manufacturing and non-manufacturing multinational companies established in the Netherlands has grown to almost 1,500 in 2004, representing thus more than one quarter of about 5,300 foreign operations in the Netherlands<sup>66</sup>.

### A. US Direct Investment by Sector and Region

Traditionally the petroleum sector attracted the largest share of US investment in the Netherlands. In the 1950s, more than half of the annual American investments were still in petroleum. However, during the 1960s investment in the manufacturing sector, in particular the metal and chemical industry grew rapidly and surpassed the petroleum investments. In addition, in the same period American investment in services, in particular trade, showed a significant growth as well. In 1970 direct investments in manufacturing doubled compared to five years before, while US investments in petroleum remained about the same. By 1975 manufacturing investments amounted to about half of total US investments in the Netherlands. During the 1980s, however, the expansion of US manufacturing investments slowed down, while investments in the tertiary sector, mainly in transport, construction, finance and trade, increased tremendously. By 1990, US investments in services had clearly ousted the manufacturing investments. In the middle of the 1990s investments in the tertiary sector amounted to over two thirds of all American investments in the Netherlands. However, as Table 2 shows, manufacturing investments grew as well again in that decade. By 2000, US manufacturing investments had doubled compared to five years before.

In addition, Table 2 shows an extremely large expansion of the American foreign direct investment position in that decade. Although part of the expansion can be explained by an increase of US investments in services and manufacturing the greater part of the expansion is explained by a tremendous increase of American holding companies in the Netherlands during the 1990s and the early 2000s (see last column of Table 2). In the past two decades, US multinationals have been funnelling an increasing share of their FDI through holding companies. In 2004, about 34 per cent of all US foreign affiliates in the world could be classified as holding companies<sup>67</sup>. In particular, the Netherlands, due to its favourable tax environment, has attracted many of these US holding companies lately. Moreover, in the same period the Netherlands has attracted the most European Headquarters of US companies of all European

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<sup>65</sup> US Department of Commerce. U.S direct investment position abroad valued at historical cost.

<sup>66</sup> American Chamber of Commerce in the Netherlands *Netherlands-American Trade Directory, 2005-2006*, xxviii-xxix; Netherlands Ministry of Economic Affairs, Press Release, 27 May 2005.

<sup>67</sup> Jennifer L.Koncz and Daniel R. Yorgason 'Direct Investment Positions for 2004. Country and Industry Detail', in: *US Department of Commerce, Bureau of Economic Analysis: Survey of Current Business* (July 2005) 45.

countries (nearly 50 per cent) because of its advantageous position in the European trade and traffic network<sup>68</sup>.

**Table 2: US direct Investment Position in the Netherlands on a Historical Cost Basis – five-yearly total and by sector 1950-2005 (in millions of dollars)**

	All Industries	Petroleum Quarrying Mining	Manufacturing	Construction Trade Finance Transport	Other Industries
1950	84	43	23	14	5
1955	159	87	38	26	8
1960	283	143	80	51	9
1965	686	238	270	144	33
1970	1,550	486	843	180	41
1975	3,097	945	1,655	404	93
1980	8,039	2,924	3,142	1,390	583
1985	7,552	1,928	3,587	1,774	263
1990	19,120	1,429	6,547	10,883	262
1995	42,113	1,449	9,079	30,012	1,573
2000	115,429	2,218	18,847	16,638	77,726
2004	201,918	3,850	25,099	41,930	131,059

Source: For the 1950-1981 period *US Department of Commerce, Bureau of Economic Analysis (BEA)*, U.S direct investment position abroad valued at historical cost. For the years 1982-2004 see: <http://www.bea.gov/bea/di/di1usdbal.htm> and [http://www.bea.gov/bea/di/usdpos/pos\\_00.htm](http://www.bea.gov/bea/di/usdpos/pos_00.htm)

Until the 1970s US investors were primarily interested in coastal sites in the Netherlands, because a disproportionate number of US companies were in the oil and chemical industry, which was mainly in the western parts of the country. Although the Dutch government's industrialisation policy aimed at the distribution of employment opportunities to the less developed parts of the country, the majority of US investments still concentrated in the west of the Netherlands<sup>69</sup>.

<sup>68</sup> Buck Consultants International, *Ontwikkeling vestigingspatronen*, 17-24.

<sup>69</sup> Loeve, *Buitenlandse ondernemingen*, p. 253.

**Table 3: Top 20 US Operations in the Netherlands in 2004 sort by number of employees**

Company	City	Location	Since	Number of employees
Deloitte	Rotterdam	Randstad/West	1968	7,300
DAF Trucks NV (PACCAR)	Eindhoven		1993	6,000
Ernst & Young	Rotterdam	Randstad/West	1980	5,000
PricewaterhouseCoopers BV	Amsterdam	Randstad/West	1998	5,000
IBM Nederland NV	Amsterdam	Randstad/West	1940	5,000
Sara Lee/DE NV	Utrecht	Randstad/West	1978	3,500
Nalco Europe BV	Leiden	Randstad/West	1968	3,000
Dow Benelux BV	Terneuzen	West	1955	2,236
EDS International BV	Capelle aan den IJssel	Randstad/West	1978	1,934
General Electric Plastics Europe BV	Bergen op Zoom	West	1971	1,800
IBM Consulting BV	Almere	Randstad/West	2001	1,750
Philip Morris Holland BV	Bergen op Zoom	West	1969	1,750
Hewlett-Packard Nederland BV	Amstelveen	Randstad/West	1961	1,500
Aon Groep Nederland BV	Rotterdam	Randstad/West	1991	1,500
H.J. Heinz BV	Zeist	Randstad/West	1958	1,500
Nike European Head Quarters	Hilversum	Randstad/West	1991	1,400
Cargill BV	Amsterdam	Randstad/West	1960	1,350
Honeywell BV	Amsterdam	Randstad/West	1934	1,300
Cordis Europa NV	Roden		1969	1,200
Eaton Electric NV	Hengelo		2003	1,200

Source: *American Chamber of Commerce in the Netherlands* ; web pages of the selected companies.

Nevertheless, in the 1960s the government for example persuaded Dow Chemical to make its major European investment in Terneuzen in Zeeland. In addition, in the 1970s and 1980s, the rapidly integrating European market has attracted investments along the transport axes, in particular North Brabant, between the Randstad and the European hinterland. However, because of this development the less developed Northern provinces, Groningen, Friesland and Drenthe, attracted even less US investors. Until this very day, the Rotterdam harbour and Schiphol airport near Amsterdam are important determinants for US investors in the Netherlands, who see the country as a “gateway to Europe.”<sup>70</sup> Table 3 shows the top twenty of US operations in the Netherlands measured by employment figures in 2004. Seventy per cent of the largest US operations in the Netherlands are still in the Randstad and eighty-five per cent of the largest operations are located in the western parts of the Netherlands.

## **B. US direct investment by strategy**

What investment strategy did American companies use in the Netherlands? Did they prefer Greenfield investments, joint ventures, federations, mergers or acquisitions? Although the latter two concepts have an ideological connotation it is possible to make a clear distinction between a Greenfield investment, a joint venture (or federation) and an acquisition.

<sup>70</sup> Loeve, *Buitenlandse ondernemingen*, p. 223.

**Table 4: Strategy of Top 20 US operations in the Netherlands**

Company	Strategy	Since
Deloitte	Federation	1968
DAF Trucks N.V. (Paccar)	Acquisition	1993
Ernst & Young	Federation	1980
PricewaterhouseCoopers B.V.	Federation	1998
IBM Nederland N.V.	Greenfield	1940
Sara Lee/DE n.v.	Acquisition	1978
Nalco Europe B.V.	Acquisition	1968
Dow Benelux B.V.	Greenfield	1955
EDS International BV	Greenfield	1978
General Electric Plastics Europe B.V.	Greenfield	1971
IBM Consulting BV	Acquisition	2001
Philip Morris Holland B.V.	Greenfield	1969
Hewlett-Packard Nederland B.V.	Greenfield	1961
Aon Groep Nederland bv	Acquisition	1991
H.J. Heinz B.V.	Greenfield/Acquisition	1958
Nike European Head Quarters	Greenfield	1991
Cargill B.V.	Greenfield/Acquisition	1960
Honeywell B.V.	Greenfield/Acquisition	1934
Cordis Europa N.V.	Greenfield	1969
Eaton Electric N.V.	Acquisition	2003

Source: *American Chamber of Commerce in the Netherlands* and web pages of the selected companies.

According to the Annual report of the AMCHAM in 1968, the US was the biggest direct investor in the Netherlands and had 234 full subsidiaries and 123 joint ventures here at the time. The use of joint ventures instead of subsidiaries in full ownership was acceptable for the first investment, but not always practical for a multinational company that needed maximum flexibility, according to a discussion in an AMCHAM meeting in the late 1960s.<sup>71</sup> The advantage of a joint venture, the participation in the national economy to prevent national protests, could be taken otherwise, e.g. through the establishment of national companies. Clearly, during the 1960s US companies were worried about the image of their FDI in Europe. As a result, joint ventures were then an accepted strategy for US MNCs. However, as Table 4 clearly shows in the long run joint ventures formed only a small minority (see also Appendix). The large accounting firms in Table 3 and Table 4 are a special case and were the result of the formation of cross-border federations between the largest Dutch and US auditing firms.<sup>72</sup>

The preferred strategy of the 20 largest US investors in the Netherlands was Greenfield investment. Acquisition of Dutch companies was also an excepted strategy, but often only after initially a Greenfield investment had been made. In addition, it is remarkable that at least between the larger US companies and Dutch companies mergers were not likely to take place. The latter can be easily explained by the fact that US companies were generally much bigger than their Dutch competitors. Besides, the big Dutch multinationals like Royal Dutch/Shell, Unilever, Akzo and Philips either had been the result of earlier cross-border mergers or had defended themselves thoroughly against foreign take-overs.

<sup>71</sup> AACHAM, "Attitude of American Business in Europe", Jay H. Cerf, 1967.

<sup>72</sup> Keetie Sluyterman *Dutch Enterprise in the Twentieth Century. Business strategies in a small open economy* (Routledge London/New York 2005) 233.

### 3. Case-studies: Ford, IBM, and Dow.

Three case studies will be developed in this section, dedicated to three large US firms active in the Netherlands.

#### A. Ford Netherlands<sup>73</sup>

Following Ford's initial foreign investments in Canada in 1903, exports to Europe commenced, although at a modest scale<sup>74</sup>. As early as 1903, a Ford agency had been appointed in the Netherlands, located in Amsterdam, although the name of the agent is unknown. In 1912, Ford appointed the firm L. Wilson & Co. of Utrecht as its dealer. Wilson's Company received cars from Detroit 'completely knocked-down', packed in wooden crates. A local bicycle mechanic assembled them.<sup>75</sup> The firm moved to Amsterdam before World War I and changed its name to Ford Automobile Company. During the war the owners sold the business to H.C.L. Sieberg, who in 1918 became Ford's sole representative in the Netherlands<sup>76</sup>. From 1922, the Antwerp unit provided the Netherlands with assembled Ford cars, trucks and tractors.<sup>77</sup> Ford's foreign investment strategy was the make only Greenfield investments for new assembly plants, and wherever possible, tracts of land were purchased in Europe. Selling the terrain in the future would compensate for later investments, since the value of the terrain would increase over time. These sites had to conform to conditions laid down by Henry Ford himself: "All these properties were located near the largest markets in their respective countries; all fronted deep water." This last condition was partly connected with the fact that Ford had its own fleet of freight ships, and used it for transporting car parts for assembly.

In February 1924, C.F. Wismeyer, the representative for the Ford Motor Company USA (hereafter FMC) and former director of Ford Antwerp, rented premises in Rotterdam. The Ford Motor Company of Holland, the central distribution and sales outlet for Ford in the Netherlands, was officially instituted on 6 March 1924. In 1926, S.C. Griswold as director replaced Wismeyer. Sales in the Netherlands were extremely good; at least half the cars sold in the Netherlands in 1926 were Fords.<sup>78</sup> On 4 March 1928 the Ford Motor Company of Holland was transformed into the NV Nederlandsche Ford Automobiel Fabriek, with G.J.J. Both becoming its new director.

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<sup>73</sup> This case study is based on Ferry de Goey, "De assemblagefabriek van Ford in Rotterdam (1924-1931). Lokale overheid versus een multinational", *NEHA-Jaarboek voor economische, bedrijfs- en techniekgeschiedenis*, 63, Amsterdam, 2000, pp. 166-95; Ferry de Goey, "Ford in the Netherlands, 1903-2003. Global strategies and national interests", in Hubert Bonin, Y. Lung & S. Tolliday (eds.), *Ford. The European history 1903-2003*, Paris, P.L.A.G.E., 2003, volume 2, pp. 233-267. From 1924 to 1928 the official name was the Ford Motor Company of Holland NV; in 1928 the name was changed to NV Nederlandsche Ford Automobiel Fabriek; in 1974 it changed to Ford Nederland NV and in 1981 to Ford Nederland BV. For convenience Ford Netherlands will be used throughout.

<sup>74</sup> Mira Wilkins and Frank Ernest Hill, *American business abroad. Ford on six continents* (Detroit 1964).

<sup>75</sup> Archive Ford Netherland (henceforth AFN), *Ford Contact*, Vol. 7, No. 6 (1953). On Ford Dealers in the Netherlands: Gijs Mom (ed.), *Het paardloze voertuig: de auto in Nederland een eeuw geleden* (Deventer 1996).

<sup>76</sup> Martin Wallast, *Ford* (Rijswijk 1991).

<sup>77</sup> Wilkins and Hill, *American business abroad*, 140; Hubert Bonin, Thierry Grosbois, Nicolas Hatzfeld & Jean-Louis Luobert, *Ford France et Belgique 1903-2003* (Paris 2004).

<sup>78</sup> Win van Rijswijk, 'Ford in Rotterdam', *Ons Rotterdam* 13:5 (1991) 8-9.

The Dutch subsidiary had a particularly good turnover in this period, with its own capital standing at 5 million guilders, and with dividends of twenty per cent.<sup>79</sup> Henry Ford's strategy was to maintain in complete control of all foreign subsidiaries. He was, however, well aware of the lingering anti-American feeling in Europe. Ford therefore decided to establish subsidiary companies in which local investors could participate up to a certain limit.<sup>80</sup> Although anti-Americanism in the Netherlands was not prominent before World War II (see section 2), Ford pursued its strategy here as well. A new feature was the way in which Ford gave seats on the Board of Directors in each European enterprise to 'figures of national importance'. Apart from motives connected with public relations, Henry Ford also felt that this move would make it easier to find local capital for building new factories. The first Board of Directors of Ford Netherlands thus included several nationally important businessmen.<sup>81</sup> Since the tenancy contract lasted until 1929, Ford made a request to the local authorities of Rotterdam, asking that the company be allowed to rent or purchase an industrial site which, "[...] with an eye to the transport of our goods, has to be located close to the centre for general cargo, while we must also be located in the vicinity of the internal shipping firms, for shipment of our goods."<sup>82</sup> The Rotterdam city authorities welcomed Ford's investment plan, but finding a suitable site in Rotterdam proved very difficult. Rotterdam normally did not sell sites in the port area to industrial companies – it only worked with ground lease constructions – but it was prepared to make an exception for Ford. Eventually a factory was built in the western part of Rotterdam, however, without direct access to water. Henry Ford, on his visit in Rotterdam on 3 and 4 October 1930, did not like the site and thought the nearly finished factory was too small for the Dutch market anyway. Since no other proper site was available, Ford decided to build a completely new factory in Amsterdam<sup>83</sup> in 1931.

Although Amsterdam pursued a policy of land leases, like Rotterdam, it was willing to make an exception for Ford Netherlands because of the rising unemployment in the early 1930s. In Amsterdam Ford Netherlands acquired, almost free, a large tract of land fronting water. The site thus met all requirements laid down by Henry Ford. The Amsterdam plant was, like the earlier Rotterdam factory, designed by Detroit engineers. Work methods and procedures were copied straight from Ford's American factories. Middle managers were mostly locals, but the company director was always an American. C.G.F. Stenger was the director of Ford Netherlands from 1936 to 1957, when the American D.M. Fifer (who had been working at other Ford branches in

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<sup>79</sup> Allan Nevins and Frank Ernest Hill, *Ford. Expansion and Challenge, 1915-1933* (New York 1957) 551-552.

<sup>80</sup> In the history of the FMC this is dubbed the "European period" which lasted until 1949, when grandson Henry once more placed all factory units under the direct supervision of the FMC. The British Ford Motor Co. Ltd., wholly-owned by its parent the FMC, obtained sixty per cent of the shares in each European establishment, with forty per cent being reserved for local investors.

<sup>81</sup> Nevins & Hill, *Ford. Expansion and Challenge*, p. 551; Wilkins & Hill, *American business abroad*, p.196. August Philips came from Royal Dutch/Shell, while Patijn was a member of the Board of Directors of Unilever.

<sup>82</sup> Municipal Archive Rotterdam (hereafter GAR), Archief CommissiePlaatselijke Werken. inv. no. 2416, doss. 526. This dossier contains all the matter concerning the Ford factory in Rotterdam.

<sup>83</sup> Nevins & Hill, *Ford. Expansion and Challenge*, p. 554.

Europe) succeeded him<sup>84</sup>. From the late 1960s, the CEO came from Ford of Europe (established in 1967), e.g. director G.K.L. Laurent.

In 1949 the shares of Ford Netherlands, which had been held since 1929 by Ford England, were taken over by the FMC. This change led to an increase in the number of Americans on the supervisory board (*Raad van Commisarissen*). As a result, the parent company gained a greater influence on the development of Ford Netherlands. The FMC extended its share holdings in Ford Netherlands from 87 per cent in 1967 to 98 per cent at the end of the seventies. The Amsterdam plant was enlarged several times after World War II and included, besides the assembly plant, a service department and a sales office. The Amsterdam factory assembled different models (European and American type Fords), mainly passenger vehicles and trucks for the European market. The annual production figures reached a peak in 1968: 28,599 units. From 1932 till 1981, the Amsterdam plant assembled well over 500,000 units (passenger cars and trucks). The number of employees grew accordingly: from 300 in 1932, 600 in 1946, and 1,200 in 1955 to its peak of about 1,480 in 1981. Except for the period 1940-1945 and the year 1957, Ford Netherlands achieved good financial results. Resulting from Ford's European strategy, developed by Ford of Europe, the range of models and number of passenger cars assembled in Amsterdam continually shrank after 1970. Attempts to start production of heavy trucks, and save assembly work in Amsterdam, came too late. The negative results in 1979 and 1980 forced Ford Netherlands to stop assembly work in Amsterdam. Despite severe resistance – the workers occupied the plant twice in June 1981 and a strong political pressure was brought to bear – the last *Transit* assembled in the Netherlands left the factory in November 1981. The premises were closed and Ford moved its office to the inner city of Amsterdam. Ford Netherlands became a sales office again.

Despite Ford's policy to maintain control of its foreign subsidiaries, it was forced to adapt to the Dutch environment. Below we will give some examples of Europeanisation at Ford Netherlands. In the 1930s, assembly line work was still exceptional in the Netherlands, but Ford had no trouble finding labourers because it paid relatively high wages. In the early 1960s, interest in production work at Ford declined and the company hired, like many other Dutch companies, "guest workers" from Mediterranean countries. This forced the company to adjust its labour policy and working arrangements. During the summer holidays, the assembly line closed for a month to allow these "guest workers" to visit their home countries. Ford Netherlands encountered other problems that required adaptation. In the late 1960s, absenteeism increasingly became a big problem. Absenteeism at Ford Netherlands was about three times higher than the average at other Ford branches in Europe and much higher than the national average or the average of comparable Dutch metalworking industries<sup>85</sup>. From 1964, wages began to increase and this affected primarily the assembly line production, although this was not revealed in the annual reports. After 1969, the assembly of cars and trucks in Amsterdam operated at a loss.

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<sup>84</sup> D.M. Fifer was succeeded in 1962 by the American I.M. Edwards. Edwards was succeeded in 1967 by fellow countryman Paul Peddemors. Ford Netherlands, *Annual Reports 1962 and 1967*.

<sup>85</sup> Archive International Institute of Social Studies (hereafter IISG), OR Ford Amsterdam (Works Council Ford), Ford Nederland Management's response to the manufacturing alternatives included in the final report from the works council and trade unions (August 1981). "Employee absenteeism in the Amsterdam plant is about three times the average experienced in other European plants" (7).

Labour relations at Ford Netherlands were rather hierarchical, but until the 1960s, this was common in large Dutch factories. Although Ford introduced many American features, it was also forced to adjust the Dutch environment. Ford Netherlands had to comply with Dutch laws in terms of work hours and breaks. In addition, there was a collective agreement (*CAO*) in effect for the metalworking sector, which Ford Netherlands subscribed after 1950. Moreover, in the field of employee participation and trade unions, Ford Netherlands accepted Dutch institutions. Before 1945, a so-called Core (*De Kern*) had existed for consultation between management and personnel. The Core had no legal status and discussed only matters of minor importance: wages, working conditions and work hours, for example, were certainly not discussed. After World War II, consultation between management and personnel was conducted in a factory committee (*Bedrijfscommissie*). Consultation was again limited to general topics, such as the organization of the annual Ford Day, the Fund for Social Purposes, the Ford Personnel Association or the purchase of holiday cottages for personnel. Finally, in 1956 Ford instituted a Works Council to comply with a new Dutch law<sup>86</sup>.

## **B. IBM in the Netherlands**

In 1911, Hollerith's Tabulating Machine Company merged with Computing Scale Company of America and International Time Recording Company. The combined Computing-Tabulating-Recording Company (CTR) was based in New York. In 1924 it was renamed International Business Machine Corporation (IBM). The computing company first established itself in the Netherlands through an agency agreement at the beginning of the 1920s. From that time, the country would play a major role in the development of the computing industry in Europe<sup>87</sup>. After World War I, Hollerith machines, IBM's punched card tabulating equipment, were installed in a wide variety of government and company offices in the Netherlands. In 1919, the first Hollerith equipment was installed in the Central Bureau of Statistics in the The Hague. A year later, the machines were installed in the Amsterdam Branch of the Rotterdamse Bankvereniging, a major commercial bank in the Netherlands, and the Handelskamer, a wholesale cooperative in Rotterdam. By that time, two agencies had been appointed in the Netherlands: M.C. Boas and L.Fles&Co. They decided to jointly import and hire out Hollerith machines. From that time there was a tremendous expansion of the business in various fields of Dutch government and private business operations. In 1923, the Amsterdam City Electricity Works for the first time in the world used the punched card as a customer's bill. The idea was copied in many countries of the world<sup>88</sup>.

In early 1920s, IBM's business in Europe expanded. As a result, the parent company in the State of New York set up a headquarters in Paris. In the meanwhile, the cooperation between the Dutch agencies Boas and Fles ended. The costs of financing the expensive Hollerith machines, which were hire out to customers, were too high for Fles. The latter endeavoured to liquidate the business in 1925. Boas, however, decided to continue and obtained the exclusive rights in the Netherlands and Belgium. The agency in Amsterdam was named in full: M.C. Boas, Agent voor Holland en België

<sup>86</sup> IISG, Ondernemingsraad Ford Amsterdam, Arbitration committee minutes, 1946-1955 (incomplete archives).

<sup>87</sup> James Connolly *History of computing in Europe*, unpublished report 1968, p. 20.

<sup>88</sup> Huub Surendonk, *IBM Nederland N.V. 60 jaar*, Amsterdam, 2000, p. 11.

der Tabulating Machine Company en International Time Recording Company, shortened Firma Boas<sup>89</sup>. The firm flourished in the Netherlands. Large customers in financial services like the Twentsche Bank and the Post Cheque and Girodienst, and large industrial companies like Philips introduced the punched card system that became more and more sophisticated with ever-greater applicability.

In the 1930s, Boas developed an IBM business in the Netherlands that represented a greater volume per head of the population than anywhere in Europe<sup>90</sup>. As a result, in 1936 his firm, which had 45 employees, was appointed as an official subsidiary of IBM's new European headquarters in Geneva. From now on Boas' engineers could take the necessary international IBM courses, and the Dutch affiliate was allowed to produce its own punched cards. Therefore, a small factory was established in Amsterdam. In 1938, IBM's Board in New York nominated Maurice Boas "World Leader", being the most successful manager of the business outside the US<sup>91</sup>. However, after the beginning of World War II in 1939, Boas migrated immediately to the United States: being of Jewish descent, he anticipated the German invasion of the Netherlands and was brought in the American IBM organisation. The Dutchman Jurriaan Schotte, who was appointed shortly IBM's European General Manager in Geneva in 1940, succeeded him. Firma Boas, with 111 staff, was renamed N.V. Watsons Bedrijfsmachine Maatschappij and led by another Dutchman Pieter van Ommeren. As a subsidiary of an American company, the Dutch affiliate was administrated under German enemy property regulation during the war. A German administrator was appointed. Because there was no import to Europe anymore from the United States spare parts became a major issue at the time. As a result, in 1941 IBM established a new factory for parts production and assembly in Essonnes, France<sup>92</sup>. In 1943, IBM Netherlands obtained 34 old machines, stored for years in the Hamburg port, reconditioned them and put them to use<sup>93</sup>. In the course of the war, however, the German administrator could not prevent that IBM's Hollerith machines were brought from the Netherlands into the German Reich for a wide range of applications, of which the most sinister was the use in the Nazi concentration camps<sup>94</sup>.

In 1946, Internationale Bedrijfsmachines Maatschappij NV (IBM, NV) succeeded the previous Dutch subsidiary to handle all business activities in the Netherlands. The socially concerned Jurriaan Schotte was appointed general manager again. In 1952, IBM opened a new plant in Amsterdam for the production of punched cards and time registration equipment, but the lion's share of the output would be the famous IBM electronic typewriter ("Selectric") until the 1980s<sup>95</sup>. Although mainframe systems developed rapidly punched cards remained an important part of the information systems at least until the 1970s when monitors would begin to replace the card

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<sup>89</sup> Ibidem, p. 12.

<sup>90</sup> Connolly, *History of computing in Europe*, p. 29.

<sup>91</sup> Surendonk, *IBM Nederland*, p. 19.

<sup>92</sup> <http://www-03.ibm.com/ibm/history/documents/pdf/1885-1969.pdf>

<sup>93</sup> Connolly *History of computing in Europe*, E-15.

<sup>94</sup> Edwin Black, *IBM and the Holocaust. The Strategic Alliance between Nazi-Germany and Amerika's most powerful Corporation* (New York 2001) passim. Black's assumption, however, that IBM can be held responsible for the use in the Nazi camps is highly questionable. See also Lars Heide, "Between Parent and 'Child', IBM and Its German subsidiary, 1910-1945", in Christopher Kobrak & Per H. Hansen *European Business, Dictatorship, and Political Risk, 1920-1945*, New York/Oxford, Berghahn, 2004, pp. 149-173.

<sup>95</sup> Surendonk, *IBM Nederland*, pp. 25-26.

system. During the 1950s, the IBM sales and services organisation was also growing fast in the Netherlands; by 1957, the Dutch subsidiary had 1,000 staff. Its new Dutch director Joop van de Kamp set up the “JW Schotte fund” for the relief of IBM employees requiring help. In the meantime, in 1949, IBM World Trade Corporation had been formed: Its aim was to manage the IBM business outside the US in seventy-nine countries. The organisations in Europe became completely in the hands of the parent company. However, the overall policy was that the national organisation were staffed and directed by citizens of the countries in which they operated.<sup>96</sup>

Simultaneously IBM introduced a new manufacturing system. The common European market was seen as one manufacturing plant with parts being sent from one country to another where they were assembled as a complete machine for local use or export. In the next decade, IBM’s expansion in the European computer market was so large that the company accounted for over two thirds of American installations by value<sup>97</sup>.

In the 1960s, IBM’s expansion in the Netherlands increased further. In 1960 it opened an Education Centre for customers and employees in Amsterdam. Two years later a large IBM Laboratory, a science and software centre, was established at Uithoorn. In Hengelo IBM set up a new service bureau, in Rijswijk a scientific computing centre was established, and in Blaricum an international IBM trainings centre started. In 1964, another Dutchman Erik van der Kruk was appointed director general. A year later, the introduction of a new generation computers, the *IBM System/360*, was a great success. In a short period over 300 systems were installed at various government agencies and large private companies in the Netherlands. By 1970 the company, which name had been changed meanwhile to IBM Nederland N.V., had 5,000 employees and had become one of the twentieth largest employers in the country<sup>98</sup>.

After the oil crisis had hit the world economy IBM World Trade Corporation reorganised its businesses around the world. In 1975, IBM Nederland, now headed by the Frans Kraak, was put under the General Business Group/International. Two groups were formed: GBG (Information and Word Processing) and DPG (Data Processing Group). These two groups occupied their own headquarters and competed to a certain extent on the same market<sup>99</sup>. Despite the reorganisation the Amsterdam plant was build out for the production of electronic composers; 500 extra staff was employed. Simultaneously, however, the punched card system ran out; the production of the cards for the world market in Amsterdam stopped in 1978. The introduction of the personal computer at the beginning of the 1980s revolutionised the computer market. At first IBM missed the new development, then it decided that it had to step into the market. However, it had to change its strategy completely. For the first time essential parts had to be produced by other, more specialised companies, i.e. processor chips by Intel and DOS operation system made by Bill Gates’ tiny company Microsoft. A second major shift in IBM’s strategy was the role of its salespersons. Until now, IBM had hired out its punched card systems and main frames, including a whole service staff. From now on, however, customers wished to buy the equipment that would be handled by their own staff<sup>100</sup>. Under the slogan “One face to the customer”, IBM Nederland’s new general director Ruud van Ommeren amalgamated

<sup>96</sup> Connolly *History of computing in Europe*, p. 54.

<sup>97</sup> *Ibidem*, p. 64.

<sup>98</sup> Surendonk, *IBM Nederland*, p. 44.

<sup>99</sup> *Ibidem*, p. 55.

<sup>100</sup> Interview Appie Reuver, Former Director External Relations IBM Nederland NV, 2 February 2006.

the bi-divisional organisation into one organisation, i.e. Customer Set Organisation (CSO).

Nevertheless, the technological revolution had changed the relation between the customer and the company profoundly. Although IBMs personal computers were popular in Netherlands, the company had problems to adjust to a different market. Under the leadership of Co van Haeften IBM established *Direct Shops* and a leasing company (IBM Nederland Financiering BV) in the Netherlands. Still, IBM was loosing ground. Sales of main frames fell and the returns on the highly competitive personal computer market sunk. In addition, in 1985 the Amsterdam plant had to stop the production of electric typewriters and switched to the production of printers, which did not turn out successfully. In 1992, for the first time in its entire history the IBM Corporation, was loss-making; in 1993 the Big Blue even made \$8 billion loss. On a corporate level a cost-reducing programme was set in, mainly trough a retrenchment in staff. IBM had to give up its old policy of “life-time employment.” Nevertheless, there was little opposition, because during the massive reorganisation the company used generous redundancy schemes. In the Netherlands, forty-five per cent of the staff was made redundant; at the end of 1995 IBM Nederland employed 3,137 people<sup>101</sup>.

Since 1993, under a new CEO, V. Gerstner, IBM also restructured many corporate processes, among others its financial systems. With Supply Chain Management, the flow of goods and the logistics were modernised. In the same year IBM Nederland, also under a new general manager Amandus H. Lindqvist, had been made responsible for the corporate distribution and became a key distribution centre for many products into Europe, the Middle East, and Africa. IBM established its international logistics centre in the Netherlands. In addition, the company acquired consultancy and software firms<sup>102</sup>. Over the last decade, the IBM Corporation has moved from hardware to software and services. In 2005, IBM Nederland’s major activities were Logistics and R&D. The company, now led by Harry van Dorenmalen, had affiliates in Amsterdam, Uithoorn, Rotterdam, Eindhoven, Arnhem and Almere. In 2005, it employed about 5,200 staff<sup>103</sup>. Until the 1990s, the Dutch company had a relative autonomy, however, after the restructuring IBM has become more and more a global company with global sourcing, in which the Dutch affiliate is just one competence centre among many others. However, for the Dutch economy IBM still plays an important role as a major foreign investor and employer.

In conclusion, IBM’s internationalisation pattern in the Netherlands matches perfectly with Johanson and Vahlne’s model of the incrementally increasing commitments to foreign markets<sup>104</sup>. At first the company appointed agents, then the agents were linked closer to the company. Next, the agent became a fully owned subsidiary, and last the subsidiary invested in production facilities when the market had been thoroughly explored by exports. What is interesting in IBM’s case is that the Dutch agent became the director of the full subsidiary. Moreover, in due time all general directors of IBM in the Netherlands were of Dutch descent. In spite of the formation of IBM’s World Trade Corporation, which aim was to coordinate the business outside the US, the

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<sup>101</sup> Interview Appie Reuver.

<sup>102</sup> See company profile Netherlands Foreign Investment Agency: <http://www.nfia.com/overview.php?pageid=18>

<sup>103</sup> Ibid. and Interview Appie Reuver.

<sup>104</sup> See for example: Johanson & Vahlne, ‘The Internationalisation Process’, pp. 23-32.

overall corporate policy was that the national organisation were staffed and directed by citizens of the countries in which they operated. As a result, IBM showed a great adaptability to the Dutch environment in the last century, but simultaneously the business was managed according to IBM's international corporate strategy. Since the late 1930s, the Dutch company was embedded in IBM strong international corporate culture. IBM's human resource management in the Netherlands matched very well with the development of Dutch post-war labour relations. In addition, IBM Nederland was closely linked with the innovation of Dutch business and (semi-) government organisations. Conversely, IBM's world development was also linked to the easy adaptation of the company's technology by Dutch big business and various government agencies.

### C. Dow Chemical in The Netherlands

In 1952 the American chemical company Dow, coming from Midland, Michigan, planned to establish a bridgehead in Europe, which fitted in the post-war expansion strategy of US companies. The first Dow sales office was set up in Zurich, because it had a good airport, good banking facilities and telex service, which was important for Dow's long-distance order handling.<sup>105</sup> In 1955 in Britain, it began production in its first polystyrene plastics plant at Barry, South Wales. In the same year, it set up a central warehousing point in a section of the Rotterdam port called the Botlek. The Nederlandsche Dow Maatschappij (NDM) would serve for years as a gateway for Dow's imported products to Europe. In 1960, a small latex plant was built on the same location, which began production in 1961. In the meanwhile, in 1957, Dow had acquired Dobeckmum packaging firm, with production and marketing facilities all over Europe and its headquarters in Amsterdam, which included a lures fibre plant<sup>106</sup>. With the acquisition, Dow expanded markedly in Europe and the Netherlands. A second European sales office was opened in Rotterdam, others would follow in Stockholm, Milan and Frankfurt. In 1961, the Rotterdam sales office was moved to Brussels, to become the main sale centre for Western Europe. After Dow's global reorganisation in 1965 Dow Chemical Europe in Zurich became a freestanding headquarters. National managements, reporting to Zurich, ran subsidiaries in the main European countries<sup>107</sup>.

Meanwhile Dow planned to build a major chemical complex somewhere in the Benelux. Eventually, the company selected Terneuzen, on an estuary of the Wester Schelde. The first six production plants, of what would become Dow's largest chemical complex in Europe<sup>108</sup>, started up in 1964. Dow Benelux BV established the chemical-processing complex on a 86-hectare site at Nieuw Neuzenpolder – which has grown into a 440-hectare site with 26 separate plants in 2006. At the time, the location was chosen because it offered Dow an opportunity to develop an industrial complex – well away from centres of population. Between the ports of Rotterdam and Antwerp, it has an easy access to the world's leading markets and sources of supply. Its location on the River Schelde allowed Dow to build docking facilities capable of

<sup>105</sup> E.N Barndt, *Growth Company. Dow Chemical's First Century*, East Lansing, MI 1997, p. 373.

<sup>106</sup> Barndt, *Growth Company*, p. 374.

<sup>107</sup> Barndt, *Growth Company*, p. 376.

<sup>108</sup> Barndt, *Growth Company*, pp. 377-381. See also: Paul de Schipper *Achter de Dijken. Dow in Terneuzen 1962-1997*, Terneuzen, 1997, *passim*.

handling transatlantic shipments<sup>109</sup>. Simultaneously, the site was easily connected to the European railway network, to a raw materials pipeline from Antwerp and Rotterdam, as well as to the main European roads. Dow's choice to build an industrial complex in the middle of nowhere instead of for example build one in the Rotterdam Botlek area is a good example of path dependence, because the Dow Company had build its first plant in the countryside in the Mid-West and has always kept an inclination for sites away from population centres<sup>110</sup>. Besides, ownership of the building lot was an absolute condition for Dow, which was impossible to fulfil in the Botlek area, because this site, like everywhere in the Rotterdam harbour, was based on long term ground lease constructions (50 or 99 years)<sup>111</sup>. In addition, the Dutch proactive industry policy at the time helped Dow to decide to settle in Terneuzen. The government policy involved the creation of employment in underdeveloped areas in the Netherlands through an active attraction of foreign direct investment<sup>112</sup>.

The question, however, remains why Dow did not build the complex in Germany, which was the largest market for chemical products in Europe at the time. Actually, the Netherlands was a very small market for chemical products then. The answer is simple: Dow took the European Common market extremely serious. In contrast to its large German competitors, it did not have a home market in Europe. Dow regarded the whole European Common Market as their home market and therefore looked for the most advantageous location to build the industrial complex. The firm searched for the best logistics, the best-qualified and motivated labour, and a site near water to make large shipments possible. In addition, the location near large water made an easy connection with Dow's important Texas division possible. The company's policy was first to build a market position by importing from Texas before building a European plant to produce the same product. As a result, the Texas division was always behind the growth of Dow in Europe<sup>113</sup>.

In 1970, a next growth stage of Dow in Europe was introduced when in Terneuzen the first Nafta Cracker was started up, which was followed by a second one in 1972. It made possible the production of basic chemical materials necessary for downstream production units in Europe, and made the Dow Benelux more or less independent of Texas<sup>114</sup>. In 1975, a Belgian production site started production in Tessengerlo, and in 1985 and production facility in Delftziel in the North of the Netherlands was acquired. By that time Dow Benelux had become Dow's largest direct investment outside the United States.

During the 1990s, following a general downturn in the chemical industry, Dow Benelux worked hard to cut its costs and to improve efficiency. Recently Dow Benelux has pursued a strategy of modernizing or replacing its older plants, allowing

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<sup>109</sup> See company for profile Netherlands Foreign Investment Agency: <http://www.nfia.com/overview.php?pageid=18>

<sup>110</sup> Interview President of the Board Dow Benelux: Gerard van Harten, 8 March 2006.

<sup>111</sup> Interview Vice-President of the Board Dow Benelux: Ed de Graaf, 8 March 2006.

<sup>112</sup> See: Government Memoranda Concerning Industrialisation of the Netherlands 1950-1963 (Nota's inzake de industrialisatie van Nederland, 1950-1963), *passim*.

<sup>113</sup> Barndt, *Growth Company*, p. 381.

<sup>114</sup> Gerard van Harten *Address to symposium to celebrate the 50<sup>th</sup> anniversary of Dow's presence in the Benelux*, Rotterdam, 2005.

the company to expand its production capacity significantly.<sup>115</sup> In 1999, it announced a major investment programme, including the construction of a third Nafta Cracker that started up in 2002. Total new investment in Terneuzen amounted to \$800 million, which made Dow the single largest foreign direct investor in the Netherlands at the time. In 2005 total replacement value of the Terneuzen complex amounted to \$6 billion. Clearly Dow had, and still has, an enormous impact on the sparsely populated region of Zeeland Flanders. In 2005, the company employed more than 2,000 staff directly full-time, contracts in 800 workers on day-to-day basis. It creates work indirectly for more than 10,000 people in the region, which amounts to 10 per cent of the total population<sup>116</sup>.

Although obviously Dow Benelux was, and still is, a leading contributor to the Dutch economy there is still the question of Dow's adaptability to the Dutch business environment. In 1965 Ben Branch, head of Dow International, told his audience at the official opening of the Terneuzen chemical complex that Dow in the Netherlands planned to follow the same internationalisation pattern as the Dutch multinationals Shell and Unilever had followed in the United States. According to Branch, these companies were considered as American and not as Dutch companies in the US. In other words, Dow in Terneuzen endeavoured to be considered as a Dutch company<sup>117</sup>. However, adaptation to the Dutch business system did not happen overnight. It took the company years to adapt to the local conditions. In the beginning, there was a "cowboy mentality", according to the Vice President of Dow Benelux Ed de Graaf.<sup>118</sup> American managers told the Dutch what to do. Dutch project managers were hired and fired. However, in due time the organisation changed completely. Dow Benelux established its own research department and created its own logistics. In addition, in the 1970s the Dutch Board came in the hands of Dutchmen. Moreover, although the headquarters were still in Midsland and Horgen (Switzerland), the company's matrix structure adopted in 1990s meant that Dow Benelux was more and more managed by the businesses and not from the centre. The matrix structure also meant that every production site in the world constantly had to prove its value for the company as a whole.

Does it mean that Dow Benelux had become a Dutch company? In labour relations, Dow behaved like a typical American company. It did not like the influence of trade unions in its company. As an illustration a few examples. At the end of the 1970s, it transformed the Collective Labour Agreement (CAO), which it had signed before, into an individual agreement with its staff. Massive union campaign could not bring alteration as 75 percent of Dow's staff voted (under pressure) for the abolition of the CAO<sup>119</sup>. In the case of the reduction of working hours, as was endeavoured in the 1980s and 1990s by the trade unions and major employers in the Netherlands Dow had a deviant point of view. At the time, the Dutch consensus was 34/35 working hours a week and no salary increase, Dow stuck with 40 hours and increased its wages. On the other hand, Dow also adapted or had to adapt to the Dutch post-war consensus model. In the 1970s Dow Benelux established a statutory works council

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<sup>115</sup> See company profile Netherlands Foreign Investment Agency: <http://www.nfia.com/overview.php?pageid=18>

<sup>116</sup> Interview Gerard van Harten.

<sup>117</sup> Barndt, *Growth Company*, p. 380.

<sup>118</sup> Interview with Vice-President of the Board Dow Benelux: Ed de Graaf, 8 March 2006.

<sup>119</sup> Interview Vice President of the Board Dow Benelux: Ed de Graaf, 8 March 2006.

(*Ondernemingsraad*), an employee provision funds (*Voorzieningsfonds*), and an own pension funds<sup>120</sup>. The latter was quite exceptional in the Dow Chemical Corporation. In the 2000s, Dow Corporation developed a new people strategy “Empowerment” based on self-regulating teams, which underscored the importance of managing the company’s human capital<sup>121</sup>. The idea was developed in the Netherlands, but has become a corporate concept worldwide on 238 locations in 38 countries. The American product manager Arnold Allemang, the executive president of Dow Chemical Corporation since 2000, who worked in the Netherlands since the 1980s, was personally responsible for the transfer of the Dutch social strategy back to the United States, and can be seen as an example of Europeanization of an US company.

### **Concluding remarks**

The overall Dutch attitude towards Americans was mainly positive during the twentieth century, although some anti-Americanism emerged in the 1920s, 1970s and 1980s. American companies in the Netherlands sometimes worried about their negative image, and as a result, they kept a low profile. Some explicitly used Dutch names for their subsidiaries. On the other hand, they actively discussed Dutch government policy on wages, worker participation or working hours, for example in the American Chamber of Commerce in the Netherlands. Moreover, American companies protested strongly against proposed legislation on excess profits sharing (*VAD*) during the 1970s. Still it is impossible to establish a causal relation between negative Dutch attitudes towards America and American companies, and US direct investments in the Netherlands in the twentieth century. During the first half of the 1980s, the number of American investments declined, but this was mainly the result of a general deteriorating investment climate in the Netherlands. Albeit there were periods of popular anti-Americanism the Netherlands always remained a loyal partner of the United States and a favourite destination of US direct investment.

Over the past hundred years, direct investment between the two countries, in two directions, has seen a spectacular expansion. Moreover, the U.S. has grown into the largest foreign investor in the Netherlands. Because of its favourable geographical location, excellent distribution and communication facilities, and other factors, the Netherlands was an attractive country for FDI. Before World War II, most American investments concerned the oil industry. In the 1950s and 1960s, manufacturing companies began investing in the Netherlands in anticipation of the European Market. The 1980s and 1990s witnessed a growth of investments by service companies. In most cases, the Netherlands served as a terminal to serve European costumers since its home market was too small. American companies preferred to locate their subsidiaries in the Randstad area, the western part of the Netherlands. The presence of Schiphol Airport and the Rotterdam harbour and large city’s explains this preference.

Most American companies followed an evolutionary investment strategy: first exporting products, setting up agencies, then sales offices and (in case of manufacturing) production facilities. This incremental investment policy enabled them to withdraw their investments if necessary with little losses and to acquire knowledge of local conditions (e.g. laws, customs). Although in the beginning US

<sup>120</sup> Dow Nieuws, February 1972, no. 2.

<sup>121</sup> Interview Gerard van Harten and see:

<http://www.dow.com/publicreport/2002/responsibility/index.htm>

companies invested also through joint ventures, eventually they preferred Greenfield investments and acquisitions. In addition, American companies showed a dislike for ground-lease constructions and whenever possible endeavoured to buy sites. This had been particularly the case for manufacturing operations, like in the oil, chemicals and metalworking industry. Both the Ford and Dow cases are good examples of the American investment preferences. These are related to the American policy to control subsidiaries as much as possible, although the attitude has changed over the last two decades. In most cases, American managers were appointed in Dutch affiliates but in due course nationals replaced them. IBM was an exception of the general pattern, because Dutch nationals played an important role in the management of the Dutch subsidiary ever since the establishment of the computing firm in the Netherlands.

American companies in the Netherlands initially kept to their routines imported straight from America, but to operate successfully they had to adapt to the Dutch environment. This is particularly true in the field of labour relations, e.g. setting up work councils, complying with central wage agreements. Following the liberalisation of the economy nonetheless in the 1980s and 1990s, which also effected labour relations, some American companies, for example Dow Chemicals, (re)introduced their own standards and working methods.

**Appendix : Top 50 US Operations in the Netherlands in 2004 - sorted by number of employees**

Company	City	Location	Strategy	Since	Number of employees
Deloitte	Rotterdam	R/W	FD	1968	7300
DAF Trucks NV (PACCAR)	Eindhoven		AQ	1993	6000
Ernst & Young	Rotterdam	R/W	FD	1980	5000
PricewaterhouseCoopers BV	Amsterdam	R/W	FD	1998	5000
IBM Nederland NV	Amsterdam	R/W	GF	1940	5000
Sara Lee/DE NV	Utrecht	R/W	AQ	1978	3501
Nalco Europe BV	Leiden	R/W	AQ	1968	3000
Dow Benelux BV	Terneuzen	W	GF	1955	2236
EDS International BV	Capelle aan den IJssel	R/W	GF	1978	1934
General Electric Plastics Europe BV	Bergen op Zoom	W	GF	1971	1800
IBM Consulting BV	Almere	R/W	AQ	2001	1750
Philip Morris Holland BV	Bergen op Zoom	W	GF	1969	1750
Hewlett-Packard Nederland BV	Amstelveen	R/W	GF	1961	1500
Aon Groep Nederland BV	Rotterdam	R/W	AQ	1991	1500
H.J. Heinz BV	Zeist	R/W	GF/AQ	1958	1500
Nike European Head Quarters	Hilversum	R/W	GF	1991	1400
Cargill BV	Amsterdam	R/W	GF/AQ	1960	1350
Honeywell BV	Amsterdam	R/W	GF/AQ	1934	1300
Cordis Europa NV	Roden		GF	1969	1200
Eaton Electric NV	Hengelo		AQ	2003	1200
Nike European Operations Netherlands BV	Hilversum	R/W	GF	1977	1200
AMP-Holland BV	's Hertogenbosch		GF	1955	1200
Masterfoods Veghel BV	Veghel		GF	1963	1200
Brink's Nederland BV	Houten	R/W	AQ	1997	1100
Alcoa Europe Holding BV	Drunen		JV	1968	1000
Oracle Nederland BV	De Meern	R/W	GF	1984	1000
R.R. Donnelley Europe Ltd.	Schiphol	R/W	GF	1992	1000
Penske Logistics Europe BV	Roosendaal	W	AQ	1957	1000
Merck Sharp & Dohme BV	Haarlem	R/W	GF	1954	1000
ABB Lummus Global BV	The Hague	R/W	GF/AQ	1954	1000
Esso Nederland BV	Breda	W	GF	1958	1000
Lamb Won/Meijer VOF	Kruiningen	W	JV	1994	1000
Accenture	Amsterdam	R/W	GF	1913	950
Du Pont de Nemours (Nederland) BV	Dordrecht	R/W	GF	1959	900
Centocor BV	Leiden	R/W	GF	1985	850
Unisys Nederland NV	Schiphol-Rijk	R/W	GF	1986	850
Eastman Chemical BV	Capelle aan den IJssel	R/W	GF	1992	850
Xerox (Nederland) BV	Breukelen	R/W	GF	1961	835
Cisco Systems International BV	Amsterdam	R/W	GF	1996	800
Xerox Manufacturing (Nederland) BV	Venray		GF	1965	800
PPG Industries Fiber Glass BV	Hoogezand		GF	1963	800
Ernst & Young Tax Advisers	Amsterdam	R/W	JV	1983	735
Koni BV	Oud-Beijerland	R/W	AQ	1972	725
CSC Computer Sciences BV	Bunnik	R/W	GF	1970	700

UPS Nederland BV	Amsterdam	R/W	GF	1988	700
Medtronic BV	Heerlen		GF	1969	700
Honeywell BV	Emmen		GF/AQ	1964	700
Tommy Hilfiger Europe BV	Amsterdam	R/W	GF	1997	700
Nerefco B.V.	Rozenburg	W	JV	1995	650
Fluor Daniel B.V.	Haarlem	R/W	GF	1957	600

Source: *American Chamber of Commerce in the Netherlands* and various web pages of the selected companies. R= Randstad ; W= West ; GF= Greenfield ; AQ= Acquisition ; JV= Joint-venture ; FD= Federation.