

Collective Entrepreneurship in the Contemporary European Services Industries

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Collective Entrepreneurship in the Contemporary European Services Industries: A Long Term Approach

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Preface

Collective Entrepreneurship and Services Industries in the Long Term

Paloma Fernández Pérez and Elena San Román

1. Service Industries

Over the last decades, the EU has become a ‘service economy’ as far as service sectors have developed faster than manufacturing. This means that the performance of the EU economy will largely rest on the performance of the service sector. As the EUROSTAT highlighted, in 2020 services accounted for 73% of the EU’s total gross value added, followed by industry and construction (25%) and agriculture (2%). In terms of employment, services represent an equal share of about 70% of total employment.¹

Service industry is an old and broad concept that includes a myriad of sectors. During the last decades, this industry has evolved including new activities, such as those called business services, consisting of a range of professional and support services to settled companies. These emerging activities coexist along with and complement other more traditional services, with a long historical trajectory that makes them especially suitable to be analyzed from an economic and business long-term perspective.

This book focuses on five of the traditional activities within the services industries: tourism, healthcare, trading, transport, and the sports industries. All these sectors constitute a heterogeneous set of activities that draws on very different scientific and organizational complexity. Yet, they all share some relevant tendencies which justify the interest and convenience of embracing an aggregate and comparative study from a business history perspective.

First, until the COVID-19 pandemic, the five activities had experienced a fast growth for decades and had constituted some of the most dynamic sub-sectors in the world economy. These are also sectors largely impacted by the pandemic although in a different direction. Health services have become one of the most important economic sectors, both to cope with the increase in the number of sick people and the need to find a vaccine for the virus. Trade and transport,

¹<https://ec.europa.eu/eurostat> (access 11/20/2022).

which draw on sophisticated networks that connect business and people globally, witnessed strong growth due to the new consumer and business needs associated with the global lockdown and the reduction of people's mobility. On the contrary, the lockdown triggered the biggest tourism crisis in the sector's history and also slowed down the development of sport and leisure businesses.

Second, the five sectors are highly labour-intensive and therefore fundamental for the employment of millions of people. This is particularly relevant considering the weakness and difficulties experienced by the Western labour markets in the last years and especially to build back the economy after the pandemic.

Third, they are activities with a long history, with origins dating back to the late nineteenth and first half of the twentieth centuries. Over the last decades, these activities have innovated and renewed themselves to meet the challenges that novel consumption patterns, and changes in the welfare state, in different expansive and recessive economic situations, have raised.

In this book, the chapters aim to provide a historical account, nurtured by existent theories of entrepreneurship, on how companies in the tourism, health-care, trade, sports and transport activities have grown, innovated and become international along the course of the twentieth century. The book helps identify the set of intra- and extra-organizational drivers that have explained their past growth and might also support their future competitiveness and expansion. All the chapters specifically build on understanding entrepreneurship as the result of actions undertaken by groups of individuals connected by formal and/or informal ties, the so called collective entrepreneurship approach.

2. Entrepreneurship as a Social, Collective Process

Entrepreneurship research, once mainly focused on the individual actor, is increasingly interested in the influences of socially embedded ties, entrepreneurial groups, and collective entrepreneurial action (Aldrich, 2005; Ruef, Aldrich, & Carter, 2003; Steyaert & Katz, 2004; Swedberg, 2000). Hence, instead of focusing on the cognitive and creative capabilities of single individuals, or examining just the process of creating new ventures, which were main concerns in previous research, the academic attention has shifted towards the interactions among a group of individuals engaged in an entrepreneurial project. This shift has a revolutionary character as it establishes a 'new' unit of analysis in the interdisciplinary field: the entrepreneurial group, its dynamics and its influence on how the venture develops over time.

This emerging trend, which highlights the social nature of the entrepreneurial process, is largely influenced by a tradition of network thinking in entrepreneurship research (Acs & Audretsch, 2010; Ferreira, Fernandes, & Kraus, 2017). Generally, entrepreneurial networks are understood as two or more individuals who jointly establish a business and are linked by formal or informal ties. Conceived in this way, entrepreneurship is therefore a process that relies on a social structure and the activation of socially embedded ties to make things happen (Baker & Nelson, 2005; Garud & Karnøe, 2003; Jack & Anderson, 2002; Kim & Aldrich, 2005).

Literature focused on entrepreneurial groups or networks is wide as debates have grown extensively over the last decades. Management scholars have played

a profound role in developing a powerful theoretical and empirical background that has been mainly focused on studying the influence of network structure and size as well as the type and strength of relationships being immersed in the performance and results of the entrepreneurial venture. Yet, what is now generally accepted is that we still do not know enough about how a network is actually formed, and how it develops and changes because few studies have addressed entrepreneurial networks as an evolutionary, historical, process (Anderson, Dodd, & Jack, 2010; Slotte-Kock & Coviello, 2010). Literature also acknowledges the scarcity of studies exploring the relationship between networks and business results beyond the start-up phase (Renzulli & Aldrich, 2005), as well as the content and nature of the relationships rooted within a network (Rodan & Galunic, 2004). Regarding the strength of ties, discussion on the role and importance of strong ties not only in the establishment but also in the subsequent development of an organization remains (Newbert, Tornikoski, & Quigley, 2013).

Another important debate related to the role played by networks in the entrepreneurship process is the role played by networks in driving business innovation and internationalization (Fernández Pérez, 2021). Particularly interesting in this sense is the contribution made by Cantwell (2016) and his ideas on the importance of knowledge exchanges on innovation and internationalization. He emphasized how in those exchanges, networks and entrepreneurial groups are critical. However, we still do not know enough about the specific role played by collective entrepreneurship in innovation and internationalization.

In sum, one of the major challenges facing collective entrepreneurship research is to explore how entrepreneurs create groups and activate social networks, how they evolve over time and how the development of networks informs the performance of the business, in terms of its innovative capacity and its internationalization process. To explore this question, this book points to two key avenues: (i) qualitative historical perspectives that take into account the evolutionary character of the entrepreneurial process; and (ii) multidisciplinary approaches that bring together empirical results with the mainstreams in collective entrepreneurship theory, especially those regarding the role played by this collective entrepreneurship in innovation and internationalization. Historical case studies, of long tradition for business historians, are thus necessarily called to contribute, given their capacity to provide detailed descriptions of specific cases of enterprises and entrepreneurs, to recognize the influence of the past on present events, to provide an understanding of the space-time contexts surrounding entrepreneurship and to work with a wide range of both oral and written sources. The book combines this necessary traditional research focused on case studies with entrepreneurship theories on collective entrepreneurship in order to dig deeper into the study of the growth, innovation and internationalization of the services activities and businesses in the Western world.

3. An Approach to the Content

The different chapters show how collective entrepreneurship has played an important role in driving growth, innovation, and internationalization of public

and private companies in the service industries in a variety of countries such as Switzerland, the United Kingdom, or Spain. Indeed, some chapters show how entrepreneurs within both the domestic and international network act as gatekeepers providing other entrepreneurs with knowledge, reputation and experience which help identifying and exploiting opportunities. The book also suggests the importance of socially embedded ties and entrepreneurial groups as critical resources for sustaining an organization over time so that market constraints can be overcome and economic outcomes achieved.

‘The Role of Business Services in the Development of European Commodity Trading Companies in the 20th Century’, by Espen Storli, from NTNU in Norway, explores the apparent paradox of Switzerland’s becoming the centre for international commodity trading in the Western world despite its lack of natural resources or maritime ports from the 1960s to the end of the 1980s. The collective nature of entrepreneurship appears in the dynamic interrelationship between the actors involved in international commodity trading.

The chapter ‘Collective Entrepreneurship in the Spanish Hotel Industry: The Internationalization of a Domestic Cluster’ by Jorge Hernández-Barahona, Teresa Mateo, Águeda Gil-López and Elena San Román, all from Universidad Complutense de Madrid, studies the tourism cluster of Majorca (Spain) and its connection with collective entrepreneurship. The authors explore the history of four world leading Spanish hotel companies, from their beginnings, in Majorca, in the 1950s, to their internationalization, in the 1980s and 1990s: Barceló, Meliá, Riu, and Iberostar. The chapter identifies common patterns of behaviour among the four companies over time, which in turn illustrate the dynamics of the tourism cluster and the role played by its context. The authors support the identification of Majorca as a tourism cluster and highlight several important characteristics of the island which reinforced and strengthened the cluster and boosted collective entrepreneurship through an intense flow of information between the companies.

The complexities of health systems in which collective entrepreneurship played different roles in the public and the private sector are also analyzed in the chapter ‘Collective Entrepreneurship and the Development of Private Clinics in Geneva, 1860–2020’. Pierre-Yves Donzé, professor at Osaka University in Japan, analyses the long-term development of private clinics in Geneva to emphasize the nature of collective entrepreneurship carried out by medical doctors. As Donzé strongly demonstrates, over the long run doctors in Geneva were strongly attached to individual practice, but engaged in collective actions when it had become necessary to defend or promote their business.

Following in the health service, ‘The Transfer of the North American Ideas of Hospital Management to Europe in the 20th Century: The Case of Spain’ by Paloma Fernández Pérez, from Universitat de Barcelona in Spain, contributes to a better knowledge of the role played by collective entrepreneurship of scientists and doctors who transferred and adapted management ideas and technology from Western Europe and the United States to Spanish modern hospitals. Informal networks of doctors were key in this process. Some of them occupied official positions in the key public health administrations and were crucial to introducing the hospital accreditation systems, and the US ideas in Spain.

Gillet and Tennent's chapter offers a singular vision on collective entrepreneurship both because of the sector, leisure centres and specifically football clubs, and the analysis perspective chosen by the authors, focused on the interactions between the public sector and elite sports organizations working together in a remarkable collective entrepreneurial activity. The chapter analyses the entrepreneurship activity and the evolving policies of public services in leisure centre provision in England during the late the twentieth century. The authors, from the University of York, build on [Houlihan \(1991\)](#) to identify the central role played by local authorities in sport provision. This was complimented and reinforced by an increasing cadre of leisure sector professionals ([Torkildsen, 2005](#), pp. 562–569) together with increasing architectural interest in the provision of leisure during the post-war reconstruction movement ([Saumarez Smith, 2019](#)).

Another interesting case on collective entrepreneurship is provided in the chapter 'Alliances as a Coopetitive Strategy of the Airlines: The Case of Iberia (1980–2020)', by Javier Vidal Olivares, from Universidad de Alicante. The end of market regulations initiated in 1978 by the United States gradually put an end to the previous system of bilateral agreements between airlines and paved the way for a wave of institutional changes at the international level. The new rules of the market regulation produced important changes in competition and the implementation of a new system of alliances, initially collaborative in nature but becoming more strategic as uncertainty increased since the beginning of the twenty-first century. As the chapter highlights, the use of a combination of strategies based on cooperation and competition, the so-called coopetition, were the response of important companies such as Air France or Qatar Airways to the market uncertainty ([Chiambaretto & Fernandez, 2016](#); [Chiambaretto & Wassmer, 2019](#)). It was also the case of Iberia, the Spanish flag carrier that succeeded using both, collaborative and competitive strategies, to merge into the IAG conglomerate (British Airways and Iberia) with other airlines.

The chapter 'Building an Enterprise for the Future Through Network Bricolage and Memories of the Past' by Águeda Gil-López (Universidad Complutense de Madrid, Spain), Elena San Román (Universidad Complutense de Madrid, Spain), Sarah L. Jack (Stockholm School of Economics, Sweden) and Ricardo Zózimo (Nova University, Portugal) explores how network bricolage, as a form of collective entrepreneurship, develops over time and influences the shape and form of an organization. The authors build on [Levi-Strauss' \(1966\)](#) idea of bricolage associated with creating something from nothing by making do with the resources at hand to grasp opportunities and solve problems ([Baker & Nelson, 2005](#); [Desa & Basu, 2013](#); [Kwong, Cheung, Mauzoor, & Rashid, 2019](#)). Thus, network bricolage describes how pre-existing networks are considered as a resource at hand for the entrepreneur ([Baker, Miner, & Eesley, 2003](#), p. 265). Using a historical organization study of SEUR, a Spanish courier company founded in 1942, this chapter shows how network bricolage is implemented as a dynamic process of collaborative efforts between bricoleurs who draw on their historical experience to build and develop an organization.

In 'The Asymmetry of Expectations on the Outcomes of Strategic Alliances Between Biotechnology Start-Ups and Pharmaceutical Corporations',

Felix Barahona Márquez (EU Mediterrani/Universitat de Barcelona), Susana Domingo Pérez (UPF Barcelona School of Management), Ernest Solé Udina (UPF Barcelona School of Management) focus on the relationship between biotechnology start-ups and larger pharmaceutical corporations when acting as partners in innovative strategic alliances. For three decades, these companies have become major players of innovation in the health sector and the development of many products is the result of the developed cooperation. However, the great differences between companies frequently lead to problems. The chapter reveals the concrete facts that can prevent reaching the proposed goals of these partners as well as the crucial importance of the human aspect to mitigate these potential problems.

The existence of internal and external factors that have an impact in organizations, with networks playing different roles inside or outside them, is analyzed in the chapter ‘Effects of the Subsidiaries’ Networks on the Service Multinationals Innovation Activity’, in which the professors of Universitat de Barcelona, Paloma Miravittles, Fariza Achcaoucaou and Tim Laurin Spieth, study how subsidiary embeddedness in internal and external networks to firms contributes to the innovative activities that generate creating competence and exploiting competence skills in the context of the service industry. The analysis of 137 foreign-owned subsidiaries in the service sector that perform innovation activities in contemporary Spain shows the positive impact of networks of the firm, inside and outside the firm, on the innovation of subsidiaries of multinational corporations.

In ‘The Collective Entrepreneurial Process: From Public Entrepreneurship to Collective Action for the Common Good’, by Lizbeth Arroyo and Jaume Valls-Pasola (Universitat de Barcelona) the authors analyze how public entrepreneurship boosts collective action, toward a common good. In this chapter a public entrepreneur triggered a collective action that led to the creation of the innovation community: The Coronavirus makers. This collaborative network groups together more than 20,000 researchers, developers, and engineers. They altruistically put their knowledge and resources at the service of the community to provide solutions for one of the healthcare system’s main problems at that time: the shortage of medical supplies to cope with the increasing number of COVID-19 cases. The collective action of the Coronavirus makers has impacted the health and wellbeing fields, the community and the values that should define social change and allow the construction of a more open, equitable and sustainable society. Potentially, these findings confirm that collective entrepreneurship may, especially in services for citizens, derive from a function of collective action.

In summary, this book highlights the importance of a new vision on entrepreneurship focused on processes and collaboration rather than on the individuals. Through the lens of collective entrepreneurship, processes can be also explored over time, and this allows us to better understand the creative activity that underlies the envisioning and the pursuing of opportunities. This approach also offers the opportunity to examine not only how actors are situated, but also how they navigate within the context and how they relate to it and to the networks in which their activity is embedded.

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Chapter 1

The Role of Business Services in the Development of European Commodity Trading Companies in the 20th Century

Espen Storli

Abstract

After the end of World War II, Switzerland became a key hub for international commodity traders, even though most of the commodities they were dealing in were sourced from outside of Switzerland and were not meant for Swiss producers, refiners or consumers. The main aim of this chapter is to analyze why Switzerland became the centre for international commodity trading in the Western world. The chapter will especially focus on the period from the 1950s to the end of the 1980s. Given that commodity trading companies throughout history have been notoriously closed to external scrutiny, the chapter by need is mainly based on publicly available material. The chapter utilizes the concept of collective entrepreneurship as an analytical framework to situate the development.

Keywords: Commodity traders; Switzerland; collective entrepreneurship; global business; natural resources; business services

1. Introduction

Even in a modern service economy, access to natural resources is indispensable. Although Europe is rich in resources, modern European economic development has been, and continues to be, dependent on imports of a wide range of raw materials from countries outside of the region. This import dependence is not likely

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to decrease in the coming decades, and the European Commission has identified a number of critical raw materials where EU industry is largely dependent on imports (European Commission, 2020). As the EU example illustrates, the uneven global spread of natural resources means that they are seldom found in the same place that they are consumed. Raw materials have therefore throughout history been a primary driver of international trade.

Since the last decades of the nineteenth century, a significant part of the international trade in natural resources has been organized in global value chains by multinational companies (Hesse & Neveling, 2020). Frequently, the chains are established by vertically integrated firms that control the different stages of the production process from natural resource to consumer product. However, these stages can also be linked through arm's length market transactions with producers specializing in just one stage. This opens opportunities for middlemen to become involved. In the process of transforming natural resources into industrial commodities, specialized commodity trading companies have become important. These companies seldom mine, grow, refine, or smelt the commodities needed in production processes; their business model is to buy the output from one stage in the production chain, transport it to another geographical place, and then sell it on to a producer involved in the next stage of the value chain. By doing this, the commodity trading companies physically link the different stages of production together (Pirrong, 2014).

Historically, commodity trading companies were mainly based in either the main commodity producing regions of the world (such as large grain traders from the US Midwest or Argentina), or in the dominant centres of manufacturing or consumption (such as the large metal and mineral traders in the industrial heartland of Germany). After World War II, New York became the centre for international commodity trading. However, from the 1960s and after, the large commodity trading companies of the Western World have increasingly relocated to Europe, and they are now especially domiciled in Switzerland (Storli, 2020).

Although Switzerland is a highly industrialized society with a manufacturing industry reliant on access to a number of commodities, it is a country which has comparatively few natural resources, the main exception being hydro power (Breiding, 2012). Still, from the 1960s, the country became a key hub for international commodity traders, even though most of the commodities they were dealing in were sourced from outside of Switzerland and were not meant for Swiss producers, refiners or consumers. The main aim of this chapter is to analyze why Switzerland became the centre for international commodity trading in the Western world. The chapter will especially focus on the period from the 1960s to the end of the 1980s. Given that commodity trading companies throughout history have been notoriously closed to external scrutiny and – in the words of a recent investigation into the industry – ‘have gone to great lengths to avoid giving out any information about themselves’ (Blas & Farchy, 2021, p. 10), the chapter by need will mainly be based on publicly available material. The chapter will utilize the concept of collective entrepreneurship as an analytical framework to situate the development.

2. The Role and Functions of International Commodity Trading Companies

Commodity trading companies do not ordinarily fall within the category of service industries. According to the textbook definition, a service company is a business that generates income by providing services instead of selling physical products (see, for instance, [Daniels, 1985](#)). The main business model of a commodity trader is to engage in the trade of physical commodities. They buy a commodity from one producer and sell it on to a different producer typically in the next stage of a value chain, in the process physically linking the different stages of a production chain together. In a pure form, commodity traders do not usually plant, grow, mine, smelt or refine the commodities they trade in; however, to secure access to supplies, they might also take ownership of one or more stages of the manufacturing process. In their operations, commodity trading companies fulfil the roles of risk takers, information gatherers and arbitrageurs and not only shape global value chains, but also contribute to the integration of markets and the convergence of prices ([Boon & Storli, 2023](#)).

Hugo [van Driel \(2003\)](#) in an influential article proposed a multidimensional framework for understanding the role of middlemen such as commodity trading companies. He argues that there are four dimensions of conditions of supply and demand: place, time, quantity, and quality. Large gaps in these conditions will create relatively high uncertainty for buyers and sellers, but traders are especially suited to reduce this uncertainty by bridging the gaps. In van Driel's framework, middlemen reduce transaction costs by managing transport (transforming in place), by storing the commodities for sale at a convenient time (transforming in time), by collecting and distributing raw materials (transforming in quantity) and by processing, sorting, assorting and screening commodities (transforming in quality). Building on van Driel, Craig [Pirrong \(2014\)](#) has suggested that commodity trading companies fulfil important functions in the international economy because of their ability to transform commodities in space (through logistics), in time (through storage) and in form (through processing commodities). To be successful, commodity trading companies will try to identify the most valuable transformations, undertake the transactions necessary to carry out these transformations, and engage in the physical operations and actions necessary to carry them out.

However, to be able to transform commodities, the traders need to have access to raw materials. Historical analysis of the operations of commodity trading companies shows that the ability to supply business services to producers has often been a comparative advantage and a way to secure access to the important commodities. [Pirrong \(2014\)](#) identifies a number of business services that the commodity traders might offer to their customers. Chief among them are financial services. Commodity trading is highly capital intensive, and traders need access to liquidity to fund its activities. Usually, a company will have bilateral credit lines with several banks, and trading firms have often utilized the situation to provide trade credit to their buyers. Commodity trading companies have traditionally had better insight into the situation of the buyer and the market conditions for the

commodities, and they will therefore be better placed than a bank to evaluate the creditworthiness of a customer and to monitor the operations. Credit can also be supplied to sellers, most commonly through off-take agreements, where a commodity trader agrees to purchase the future production of a seller (for instance, a mine or an agricultural producer) and help fund the operations through prepayment or a loan to the producer.

A different business service that can be offered is through a tolling arrangement. A trader that owns raw materials that need to be processed before being sold to a consumer can enter into an agreement with a processing company to have the materials refined for a specified fee (toll). In this way, the trader can find a market for the commodities, while the refiner can get income to help pay for the upkeep of costly industrial plants. Especially in periods where demand is low and the refiner might otherwise have to reduce capacity, tolling agreements can be attractive. Tolling agreements will often be combined with some form of financial service.

Throughout the twentieth century, a significant part of the extraction and production of natural resources have occurred within the bounds of vertically integrated multinational companies controlling the production from the natural resources, stage into consumption. However, commodity traders have provided an alternative for companies that are too small or unable to establish their own vertically integrated value chains. Commodity trading companies are specialists in marketing, logistics, and risk management, and these are services they will often offer to smaller producers. By outsourcing these specialized activities, a mining company, a refiner, or an agricultural producer can reduce the need to build a larger organization and to concentrate on their main activity.

Finally, there are a number of examples of commodity trading companies being willing and able to operate around political restrictions to trade in raw materials, both at a national and an international level and in this way offering business services to regimes or producers. Prominent examples are the involvement of commodity traders in breaking the UN embargo against South Africa in the 1980s (see, for instance, [Ammann, 2009](#)) or in the UN Oil for Food scandal involving Iraq in the early 2000s (see, for instance, [Soussan, 2008](#)). These services can also include offering help in more uncontroversial matters.

3. Collective Entrepreneurship and the Development of Commodity Trading Companies in Switzerland

Although having a history going back until the early twentieth century, the academic study of entrepreneurship has especially emerged as an important topic since the 1980s among management scholars and social scientists. The field has been dominated by approaches using large datasets to understand aspects such as new business formation, but with little focus on the temporal or geographical context. Business historians, on the other hand, have focussed on understanding the role of innovative entrepreneurship in driving changes in the historical context of business, industry, and the economy ([Jones & Wadhvani, 2008](#)). In recent decades, the importance of institutions and cultural and social factors for

entrepreneurship has increasingly been highlighted also within the management literature (Casson, Yeung, Basu, & Wadeson, 2006, p. 28).

While there are different ways of understanding the concept of collective entrepreneurship, in its most prevalent form, it can be understood to refer to interactions inside and between networks and businesses. Ivar Jonsson has argued that collective entrepreneurship depends on societal factors such as culture and the infrastructure of human capital, and that collective entrepreneurship is territorially and socially embedded. Thus, collective entrepreneurship is determined by both local and country specific constraints. However, it is also affected by the structural development of international trade and the world market. Overall, the collective nature of entrepreneurship appears in the dynamic interrelationship between the actors involved in the entrepreneurial activity (Jonsson, 1995, pp. 52–56).

The history of global commodity trading companies illustrates the way that collective entrepreneurship can influence the development of an industry. When large, specialized international commodity trading firms first started to appear in the second half of the nineteenth century, they tended to group together in a few selected cities or regions of the world. Partially, this had to do with the shift in trading practices that followed the introduction of the new technology of the telegraph. Trading companies now progressively had to trade on their own account and not based on advances granted by purchasers. This meant that the need for short-term credit from merchant banks grew, and the traders increasingly clustered in the financial centres to be better able to secure credit lines (Dejung, 2013). When the new futures markets for globally traded commodities also started to emerge in the 1860s and 1870s, they were situated in the same financial centres (Engel, 2015). In metals and minerals, the financial hubs of Frankfurt, Hamburg, and London became the key centres of commodity trade, while in agriculture, the trade in some commodities was dominated by companies based close to the production (with grain as the most conspicuous example) or from traders that were based close to urban centres that combined both a large financial sector and large consumer markets (for instance, cotton and rubber). After 1945, US companies started to dominate trade in many commodities, and New York, the financial capital of the United States, now also became a key centre of global commodity trading companies. However, starting already in the 1950s, the large commodity traders increasingly started to shift their international operations away from the United States, and Switzerland grew to become the new global centre for commodity trading (Storli, 2020, pp. 459–461).

Switzerland's new status did not appear out of nowhere. Already in the second half of the nineteenth century, Swiss trading companies had become important international actors in commodity trading. Although landlocked on the European continent, Swiss firms very early started to employ representatives and travellers to gather information and to survey markets and, in the process, penetrating faraway international markets. A company such as Volkart Brothers was able to build up a thriving business trading cotton from British India starting in the 1850s and later also branched into coffee, tea, oil, cacao, and spices and expanded into new regions, such as Japan (Dejung, 2018). Other companies such as André &

Cie (in grain) and UTC (rubber, palm oil, and cacao) also became important global commodity traders during the twentieth century. By the time that foreign multinational commodity traders started to set up shop in Switzerland, the country was already a powerhouse in the global trade of raw materials (Guex, 1998).

The development that led Cargill, one of the world's largest grain traders, to set up their international trading arm in Geneva, is instructive for understanding the arguments for Switzerland becoming a commodity trading centre. Cargill, a US company established in 1865 to trade grain from the Midwest, has operated internationally since the 1920s with foreign offices and through contacts with foreign business agents. However, the success of these international operations had been limited. In the early 1950s, the company management started to discuss the need to reorganize the company's international business. The first impetus was based on the wish to reduce corporate and personal taxation, and it was also apparent that the company's main competitors, based in Europe and in Argentina, had much lower costs because of lower tax policies in their home countries. However, when the Cargill management started to look into the matter, it also became clear that to be successful in international trading, the company needed people with a special background and training to overcome language problems, currency problems, and to deal with local trade customs. In late 1951, after having considered places such as Nassau, Lichtenstein, Monaco, Tangiers, Liberia and Macao, Cargill decided to establish a new international company in Panama. The new company, called Cargill Internacional, although sharing owners with Cargill, was set up to be absolutely separate from the US operations for tax reasons (Broehl, 1992, pp. 769–772).

However, the directors of the company soon realized that Panama was not a convenient location for doing the actual trading, not the least because of the less than fully developed communication links with the rest of the world. Cargill therefore first set up a trading office in Winnipeg, Canada, but quickly moved the office to Montreal, when the traders realized that this was the grain trading centre of Canada. Cargill also established a European trading office in Antwerp. After having operated for a year with Montreal as the main international trading office, it had become clear that Europe was the centre for internationally based grain trade. The owners of Cargill considered Antwerp as a new headquarter for the international organization, but in the end decided on Geneva. In February 1956, Cargill reached an agreement with Swiss federal and cantonal tax authorities, and the new head office for international operations was set up in Geneva. The new office, organized as an independent company under the name Tradax, secured lines of credit from Swiss and German banks, and the traders in the office were soon immersed in what the business historian Wayne Broehl, the company chronicler, described as a “fast track” business environment, one that begged for aggressive risk-taking and wide-ranging business contacts’ (Broehl, 1992, p. 797). The semiautonomous Tradax swiftly became a huge success, with very high earnings, and the Cargill owners even contemplated moving most or even all of Cargill to Switzerland. Though not going that far, in 1966, the Geneva company became the administrative centre for Cargill's operations in all of the world except for North and Central America and five countries in South America (Broehl, 1998, pp. 91–92).

It was not only grain traders who built up their international operations in Switzerland in the 1950s and 1960s. In this period, the New York-based Philipp Brothers developed to become the world's dominant commodity trading company focussing on metals and minerals, and central to this growth was the office that the company set up in Zug, Switzerland. The New York company was established by émigré German Jews, and while it had originally focussed on the US market, in the years after World War II the old continent of Europe became more and more central to its business expansion. To rebuild Europe after the war, enormous stocks of commodities were needed, and that was just what commodity traders could supply. In 1950, Philipp Brothers established an office in Amsterdam, but while business quickly grew, access to credit lines in the Netherlands was a challenge in the first years. In the second half of the 1950s, the company established several new subsidiary offices in Europe, most significantly in Zug, Switzerland, in 1956 (Waszkis, 1992).

The Philipp Brothers management chose Zug as a location first and foremost for taxation reasons. The personal income tax rates were higher in the Netherlands than in Switzerland, and the small town of Zug, in the canton of Zug, was known to have the most advantageous tax rates in the country. In addition, Zug was also very close to the financial centre of Zurich, so the access to expertise in international tax, legal, and financial matters was also attractive to a company that was expanding its international business. Originally, Sigmund Jeselsohn, a banker, was put in charge of the Zug office, and the focus was on the financial and legal aspects of the company's business. However, the directors soon realized Zug was also an ideal location for doing actual trading, partially due to its geographical location in the centre of Europe, but also because of the financial strength, competence, and credit lines of the nearby Zurich banks. By 1958, Zug had become an important trading hub for Philipp Brothers, and when the United States the same year eased post-war restrictions for US subsidiaries on doing business with Communist countries, the office became a centre for trade with Hungary, Romania, Bulgaria, and Czechoslovakia. The Zug office grew rapidly, and in the 1960s, Philipp Brothers decided to use Zug as its European headquarters responsible for all of the company's European business. Soon, the Swiss office was also used as the headquarters for much of the world-wide business of Philipp Brothers (Waszkis, 1992, pp. 154–156).

In the 1970s, Philipp Brothers dominance of the global metal trade started to be challenged by a new entity set up by an ex-employee of the company. Marc Rich had worked for Philipp Brothers for twenty years when he in 1974 struck out on his own to set up Marc Rich + Co. AG. During the 1980s, this new company would become the most important metals and mineral trader in the world, while Philipp Brothers disappeared by 1990. In 1993, Marc Rich was forced out of his own company by his employees, and it was renamed Glencore. After several decades of growth and acquisitions, it is today one of the world's largest globally diversified natural resource companies and the largest company in Switzerland. Marc Rich in 1974 set up his headquarters in Zug, close to the offices of his former employer. The Swiss journalist Daniel Ammann, Marc Rich's biographer, has argued that there were three main reasons why Rich decided to make Zug his base.

First of all, Switzerland's status as politically neutral meant that Swiss companies could trade in most states. Second, Zug was close to Zurich, which was a global financial centre known for its discretion but also home to an international airport and also had renowned international schools, which were important to recruit international experts. Finally, Zug was a tax paradise which by international standards had very low income and corporate tax. Marc Rich + Co. and Philipp Brothers were not the only international companies to make Zug their home: a host of American companies arrived in the 1950s and 1960s, German and British companies came in the 1970s and 1980s, while after 1990, Russian companies did the same (Ammann, 2009, p. 77).

As Sébastien Guex has noted, even though Switzerland historically had no colonies, no outlet to the sea, and no major tradable natural resources, the country by 1985 had become, after Great Britain, the second centre in Europe for the trade of raw materials (Guex, 1998, p. 150). A key factor in this development was the arrival of a number of global trading companies to Switzerland in the years after 1945. In his analysis of why the companies were attracted to the country, Guex has proposed five explanatory factors. First, Switzerland's geographical location means that it already from the medieval times was a major crossroad in both the north-south and east-west commercial channels of Europe. The long history, tradition, and know-how in international trade meant that the country was well set to take advantage of new trading possibilities. Second, Switzerland's political neutrality meant that the country was able to stay out of both World Wars and also that in the post-World War II years, it could maintain commercial connections which might be closed to companies based in countries more caught up in the Cold War. Political neutrality meant that Swiss-based companies could act as middlemen between the East and the West. Third, Switzerland had well-developed and strong financial centres in cities like Zurich and Geneva. After 1945, Swiss bank, compared to other European banks, could offer abundant credit at an interest rate which was usually several points below that of foreign competitors. The Swiss franc was also one of the most stable and reliable currencies throughout the period. For international commodity trading companies, access to cheap(er) credit and stable currencies was a major draw. Fourth, the Swiss income and corporate tax were generally lower than in other European countries. Fifth, and finally, in what was in many parts of the world a politically unstable period, Switzerland was seen as a haven of stability when it came to economic policies and security (Guex, 1998, p. 169).

These factors must be seen as mutually reinforcing, but not of equal importance. The historical experiences of Cargill and Philipp Brothers illustrate how the Swiss taxation regime was the key factor for attracting the companies to set up subsidiaries in the country in the 1950s. However, low taxes are not sufficient to explain why the Swiss offices of these companies in just a few years became their centres for European and international trade. In both cases, the companies' traders found that the Swiss environment was very conducive to carrying out international trade and this meant that the importance of the offices within the corporate organizations grew and, as a consequence, also their sizes. Three