

## Chapter 3

# Nationalism and Patriotism in International Business

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### ABSTRACT

*This chapter explores nationalism and patriotism in international business, with attention to implications for diplomacy and geopolitics. Globalization increases economic interactions across national borders through exports, imports, foreign direct investments, and mergers or acquisitions. The World Trade Organization aims at making this global system of economic interactions more protection free. Nationalism is domestic emphasis placed on the country's economic, political, and strategic interests. Nationalism views international business as a zero-sum competition. Patriotism is pro-national behavior of consumers, producers, and other business stakeholders, and also calls for such pro-national behavior. Nationalism and patriotism are partly reactions – varying considerably by country – to domestic effects of this globalization, markedly exacerbated by the unexpected financial crisis and ensuing severe economic recession that emerged in 2008 and continued into 2016. The chapter draws on extant literature to develop a more systematic understanding of nationalism and patriotism.*

### INTRODUCTION

This introductory section explains the perspective and structure of the chapter. The unexpected financial crisis and severe economic recession that suddenly emerged in 2008 and has continued into 2016 has brought about a revival of state protectionism across the globe. Two key dimensions of this revival of state protectionism are nationalism and patriotism. Both phenomena appear to be increasingly important as globalization affects countries, consumers, and producers (Christiansen & Koeman, 2015). This chapter draws on extant literature to develop a more systematic understanding of the increasing roles of nationalism and patriotism in international business. Particular attention is paid to implications for public and business diplomacy and geopolitics.

Nationalism suggests policies and practices that seek to strengthen the country in international business transactions. Nationalism does not automatically require “beggar thy neighbor” policies and

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practices, but it does tend to encourage exports, discourage imports, and encourage national control of natural resources. Patriotism tends to work in the same direction, by encouraging actions that support the home country and calls on individuals and businesses to act in the national interest.

There are some implications for corporate espionage or cybercrime, as has been suspected of some Chinese firms (Holslag, 2015) as well as of Iran, North Korea, and Russia (see Crosston, 2015; Lucas, 2015; Silver, 2015). These four countries are not members of the 2001 Council of Europe Convention concerning Cybercrime, effective July 1, 2004 (Lucas, 2015). The United States (US) has signed and ratified the convention. Both governments and firms under governmental influence may engage in espionage or cybercrime. Documenting such activity is difficult because of the secrecy involved (Kshetri, 2013; McDougal, 2015).

There are important implications for public diplomacy between countries and business diplomacy by enterprises (Ordeix-Rigo & Duarte, 2009, make this distinction). Geopolitics is the combined influence of demography, geography, and economy on national politics and a country's public diplomacy. Businesses more closely tied to a country or region's geopolitics is more influenced by the same factors. Business diplomacy concerns how enterprises manage interactions with foreign governments, multilateral institutions, and international social movements (see Ordeix-Rigo & Duarte, 2009; Saner & Yiu, 2005; Wolters, 2012). Businesses more closely tied to a country or region will tend to reflect greater nationalism, although there may not be the same relationship to patriotism.

The chapter has several objectives. One objective is to provide working definitions of nationalism and patriotism in international business. Another objective is to assemble a relevant literature, reflected in the set of references. Yet another objective is to develop categories of nationalism and patriotism and to identify available information, or sources of information, about those categories. A final objective is to develop possible solutions and recommendations for addressing nationalism and patriotism in a globalizing world economy.

The remainder of the chapter following this introduction is structured as follows. The Background section provides some broad defines for and places nationalism and patriotism in context. The subsequent main section titled Nationalism and Patriotism discusses some key examples: protectionist policies, resource nationalism, control of cross-border mergers and acquisitions, and corporate inversions and other devices for tax avoidance in violation of economic patriotism. The section ends with a discussion of globally footloose multinational enterprises (MNEs) that are extreme examples of international businesses that exhibit, as a matter of values and strategies, neither nationalism nor patriotism. The subsequent section addresses the political context for nationalism and patriotism in international business. The next section considers Solutions and Recommendations for the problems of nationalism and patriotism. The subsequent section then considers Future Research Directions for this topic. The Conclusion ends the chapter with discussion of the overall coverage of the chapter and concluding remarks.

## **BACKGROUND**

Some authors may use the terms economic nationalism and economic patriotism more or less interchangeably (see Callaghan & Lagneau-Ymonet, 2012, concerning the Paris Stock Exchange; and Nourry & Jung, 2012, concerning anti-takeover measures in the European Union). There is definitely some overlap. This chapter will use the two terms distinctively. Economic nationalism will mean an emphasis on government policies and practices. Economic patriotism will mean behavior of stakeholders favor-

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