

National Identity and Economic Exchange

How Cultural Conceptions of Nationality Matter in Foreign Direct Investment Transactions*

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* Paper prepared for the Council of European Studies Meeting, Chicago, March 30-April 1, 2006. This is work in progress. All comments are welcome.

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Abstract

Exploring the relationship between nationalism and economic transactions, this paper is interested in the role of national identity in cross-border economic exchanges. I analyze interviews with actors involved in foreign direct investment (FDI) attempts in which investors from Western Europe and the United States try to acquire firms in postsocialist Slovenia to indicate two distinct ways in which economic processes are shaped by nationality. In particular, I examine how nationality affiliations shape the types of commitments that actors will want to realize through FDI transactions, and how cultural conceptions of nationality influence the evaluation of potential partners in economic transactions. I also stipulate when nationality conceptions play a more or less salient role in economic exchange. The analysis advances a cultural embeddedness perspective in economic sociology and a relational understanding of national identity, seen as embedded in actors' cultural repertoires, situationally invoked, and negotiated in interactions.

Introduction

Contemporary global economic processes are marked by the unprecedented rise in foreign direct investment (FDI): economic activity whereby corporations establish new firms, form joint ventures or acquire existing business entities in a foreign country. World FDI flows, which increased more than twenty-fold over the past twenty years, were valued at almost \$1.5 trillion in 2000. In 2003, the stock of foreign investment by international corporations amounted to more than \$8 trillion, which was twelve times greater than in 1980 (UNCTAD 2004). In light of these massive amounts of capital crossing national borders, a vast body of research has tried to identify the determinants of country FDI flows and organizational transactions as well as assess the consequences of foreign capital penetration for the development of national economies and the restructuring of domestic enterprises.¹ Diverse in theoretical perspectives and empirical findings, this research on FDI nevertheless focuses exclusively on the structural aspects of economic globalization.

But foreign investment does not have only structural implications that lie outside the experienced and meaningful social lives of people. On the contrary, FDI, as other economic activities, is imbued with meaning and ideas about the appropriate economic strategies, goals and media of exchange, and it is shaped by the cultural conceptions of transaction partners. Researchers refer to this

¹ See Dunning (1971, 1981, 1993, 1996, 1997); Wallerstein (1974); Bornschie, Chase-Dunn and Rubinson (1978); Bollen and Jones (1982); Bornschie and Chase-Dunn (1985); Crenshaw (1991); Firebaugh (1992, 1996); London and Ross (1995); Dixon and Boswell (1996); Kentor (1998); de Soysa and O'Neil (1999); King (2000); Bandelj (2002); Kentor and Boswell (2003).

role of understandings and meanings in economic life as *cultural embeddedness* (Zukin and DiMaggio 1990: 17-18; cf. DiMaggio 1994, Zelizer 2003).

What role do cultural understandings play in foreign direct investment transactions? Moreover, what kind of cultural understandings matter in this particular type of economic exchange? By definition, FDI transactions are exchanges in which parties from two different nation-states - the investor country and the host country - come together to exchange ownership stakes. If cultural conceptions of transaction partners shape economic outcomes, as economic sociologists contend, then nationality of parties involved in FDI transactions will play a more or less pronounced role in these exchanges. It may lead economic actors to prefer certain countries as investment locations over others, or see partners of a certain nationality as more likely partners in transactions than others. In the most extreme cases, nationalist sentiments may compel some economic actors to refuse to engage in economic transactions with foreigners altogether.

In this paper, I investigate the role of national identity and nationality-based conceptions in cross-border economic exchanges, to propose how they matter, and when they become more or less salient. I develop these propositions based on interview data with actors involved in foreign direct investment attempts whereby investors from Western Europe and the United States try to acquire firms in postsocialist Slovenia. The analysis furthers a relational understanding of national identity, seen as embedded in actors' cultural repertoires, situationally invoked and negotiated in interaction.

Culture and Economy

Flourishing research in the “new economic sociology” was inspired in the mid-1980s by Mark Granovetter’s (1985) now classic article arguing that economic action is embedded in networks of social relations. Mainly due to Granovetter’s focus on “structural embeddedness” (Zukin and DiMaggio 1990), the empirical work that followed explored how network connections among actors shape various economic outcomes: how people use networks in labor markets, consumer transactions, or business-to-business exchanges (Granovetter 1974, DiMaggio and Louch 1998, and Uzzi 1996, 1997, respectively); how networks function as a source of social capital for individuals (Portes and Sensenbrenner 1993); or how a network position, or degree of structural autonomy, creates productive value for firms (Burt 1992). On the whole, the “network orientation” has been the dominant one in the new economic sociology (Krippner 2001). Contributions of scholars who focus on the cultural dimensions of economic life (e.g. Zelizer 1979, 1987, 1994, 2005; Biggart 1989; Smith 1990; Dobbin 1994; Biernacki 1995; Abolafia 1996; Beckert 2004) have been much fewer, and a cultural approach to economic sociology has been characterized as “a minority perspective” (Swedberg 1997: 168).

Indeed, in a theoretical statement on the role of culture in economy, Viviana Zelizer (2003), arguably the most prominent contributor to the cultural economic sociology, purports that economic sociology has had an “uneasy” relationship to culture and that culturalist analyses have been primarily applied to “non-standard” economic topics, such as household or care labor, sexual

economies or informal economies. This slant leads many to assume that perhaps some economic phenomena are “more cultural” than others and that perhaps the more “standard” economic processes leave little or no room for culture. We may acknowledge that the uses of cash, gift certificates or food stamps in interpersonal relations may be imbued with meaning, as Zelizer (1994) convincingly shows in her study of the social meaning of money, but is there a place for meaning in the interorganizational financial exchanges, trade and investments? I argue that there is.

The reluctance of economic sociologists to pay more attention to the cultural aspects of economic actions is unwarranted since as already Weber ([1922] 1968) emphasized, any economic exchange is constituted by the meaning which parties ascribe to observable (or imagined) behavior. For an economic exchange between social actors to happen, all parties involved must make sense of the transaction, that is, they must attribute meaning to it. Hence, we could say that part and parcel of doing business, including foreign direct investment exchanges, is “the meaning business” – an attempt to make sense of the economic strategies and goals, the transaction partners, objects of exchange, media of exchange, and the negotiation of that meaning during the process of interaction.

To do “the meaning business” people rely on culture, i.e. “a set of publicly shared codes or repertoires, building blocks that structure people’s ability to think and to share ideas” (Eliasoph and Lichterman 2003: 735). These repertoires (variously also called schemas, frames, typifications) help people make sense of the various phenomena around them, to perceive them, interpret

them, and act upon them (Berger and Luckman 1967, DiMaggio and Powell 1991).²

National Identity and Foreign Direct Investment

A very salient set of cultural codes in the contemporary world are schemas related to national identity. According to Anthony Smith (1991), national identity is the most fundamental of all identities because it is a product of “natural” continuity from pre-existing ethnic origins, conscious manipulation through commemoration, ideology and symbolism, and a “need for community.” Most other social scientists are keener on more social-constructivist notions of national identity (see reviews by Calhoun 1993 and Cerulo 1997) but, nevertheless, argue that people consider national origin as an important part of their identity, and perceive others through the nationality lens. In collective efforts, people use these categories to “demarcate political communities, claim rights of self-determination and legitimate rule by reference to “the people” of a country” (Calhoun 1993: 235).

How then can conceptions of national identity or affiliations to particular national origins matter in foreign direct investment exchanges? Conceptually, it may be useful to distinguish between two influences, one before and one during the exchange process. First, national identifications may shape economic action by letting particular nationality-related values determine the goals and strategies of action *a priori* to the actual execution of the transaction. Second,

² Spillman (1999) has also argued that economic analyses should pay more attention to culture. In particular, she calls for the examination of the cultural construction of objects of market exchange, parties to market exchange and norms of exchange.

nationality-based typifications may interfere in the economic negotiation by contributing (or not) to sympathy building *during* the negotiation process which will shape the final transaction outcome.

How National Affiliations Influence Economic Goals

How do business actors decide in which country to invest? While economics emphasizes the instrumental rationality of risk and return calculations based on economic indicators of profitability (Hymer (1976 [1960]), Dunning 1971, 1979, 1980, 1981, 1988, 1993, 1995, 1996, 1997), sociologists follow Max Weber ([1922] 1968) to stipulate that *value* rationality is as plausible as *instrumental* rationality. For some it may be the maximization of material interests that matters, but for others ideal interests are more important. This is because goals of economic action are not naturally given, as some writing in economics may lead us to believe, but socially constructed. Hence, deciding to invest in a particular country because the key decision makers have affiliations to that country is not unusual.³

Consider Tom Kovac, an American citizen, professional lobbyist and third generation Slovenian. Kovac had a vested personal interest in attracting American companies to Slovenia because of his personal affiliation to the country. Kovac met representatives of Telcomp, an American Telecommunications company, through his lawyer's office, which was also servicing Telcomp. He suggested that the company look into investing in

³ George Soros is probably one of the most prominent people with East European origin who started investing in the region after the fall of the communist regimes.

Slovenia. Telcomp was at that point considering several other investment sites and decided to look into the opportunities in Slovenia based on Kovac's recommendation and willingness to get involved and gather additional information about this opportunity for them. Since any foreign investment in Slovenian telecommunications needed to apply for an approval with the authorized State agency, Kovac called on his friendship with Jan Perko, a Slovenian state official, with plenty of connections, to help gather the necessary documents. In my conversation with Perko, he was clear that, in his opinion, Telcomp had no chance in proceeding with its foreign investment without relying on an insider like him. He also said that he got involved primarily because of his personal connection and friendship with Kovac whose interest was clearly shaped by the affinity to his grandfather's homeland.⁴

Kovac's is not an isolated case. In a survey of Dutch companies that invested in Eastern Europe, de Mortanges and Caris (1994) found that internal promoters within investor firms were frequently mentioned as important actors that influenced investment decisions. These promoters often had a personal attachment to a specific host country, either because of their ancestry or because they had a personal relationship with someone from that country. Because of these persons' commitment and affiliation to particular countries, they promoted them as host locations. As an Italian manager whose mother was Slovenian admitted in an interview, he was particularly interested in the possibility for his firm to invest in Slovenia because of his affiliation to that country. He wanted to do something for the country in which his mother was

⁴ Personal interview, February 1, 2002.

born and his relatives live. In their analysis of FDI transactions in Central and Eastern Europe, Estrin et al. (1997) also report that after the fall of the Berlin Wall people with East European ancestry started investing into their homelands, on the basis of ideological reasons, because they wanted to help in the transition from communism. In a macro-level study of foreign direct investment flows, Bandelj (2002) found that pre-existent migration links between investor and host countries, contributed to higher FDI flows between them.

How Conceptions of Nationality Influence Evaluation of Economic Partners

Economic action is influenced by cultural understandings, including cultural conceptions about potential transaction partners (Zukin and DiMaggio 1990). In particular, for business situations that involve participants from different countries, actors differentiate between investors and hosts on the basis of their country of origin. For instance, one of my informants was very explicit about the differences between German and Italian investors:

“Germanic people and Germanic investments are perceived as precise, orderly, trustworthy. Against Italians, there are always some suspicions. That their money is dirty, that things will get screwed up, that there is some iffy business involved, that these are unreliable people. While, on the other hand, Germans and Austrians are elevated and treated as hyperorganized, orderly, trustworthy.”⁵

⁵ Personal interview, February 1, 2002.

Based on different nationality conceptions economic actors consider some nationals as more or less desirable partners in FDI transactions. This was made evident in an FDI effort where an American investor, AmeriCo, was trying to acquire a Slovenian electronics appliances manufacturer, Slovan⁶. For a postsocialist company in the early 1990s, this looked like a great opportunity that would provide much needed financial capital, transfer of technological and managerial know-how, and access to new markets that the firm could not possibly conquer on its own. The top management was in favor of the acquisition. But the transaction never realized. Because of various political pressures, personal interests, and strong cultural conceptions, the middle management revolted against the American investor. The acquisition attempt was widely publicized, and the media helped frame Americans' intentions as hostile by publishing stories about "the American danger" (*Gorenjski Glas* 1997), calling the American company a "foreign firm-hunter" (*Mag* 1997), and their attempt a "hostile take-over" (*Delo* 1997).

After this turn of events, AmeriCo representatives met with the CEO of Slovan and told him that if the people are so strongly against the acquisition, they do not want to continue pursuing it. They withdrew from their FDI attempt after more than a year of negotiations. According to AmeriCo,

"When we sensed such hostility on the part of the workers and middle management, we asked ourselves, 'Do we really want to acquire this company?' We knew of a case in Italy where workers went out on a walkout because they

⁶ All names are altered to protect anonymity.

disagreed with the sale. It would have been too expensive for us [should something like that happen in Slovan].”

The story took an interesting twist because less than a year later a third of Slovan was acquired by a German multinational. Could it be that the conceptions of “American” vs. “German” capital were important for people’s willingness to engage in FDI? For a top manager who led the opposition movement against the American investor, it was clear that the differences are significant:

“The American mentality is to completely focus on profit, as opposed to the mentality of, let’s say, Germans. If we compare, how quickly a firm can be opened, closed, how quickly you can be dismissed with a smile. Such an approach, this 100 percent focus on profitability and self-sufficiency... Such narrow-mindedness also has a lot of negative effects. If we consider these threats, which were present with the acceptance of the American capital, and on the other side, the German capital, these threats were much smaller with the Germans. The German mentality is different. There are long term alliances, partnerships, open relations, search for a common ground which satisfies both partners. These differences in mentalities, national characteristics, surely influence the amount of risk. Because the American capital, simply, if it doesn’t reach the required profit margin, it moves on. There is no sentimentality. But it is a question whether this is an optimal approach. I am not sure... again, I absolutely support the market and the rules of the market, but still there are different possible alternatives.”⁷

⁷ This case is based on information gathered from seven semi-structured face-to-face interviews (average length 1.5 hours) with Slovan and AmeriCo managers, media reports and companies’ documents.

Others involved in the AmeriCo-Slovan acquisition attempt offered additional explanations, but everyone of the top management that I personally talked to, on the Slovan and AmeriCo sides, mentioned the negative impact of the presence of an *Italian* manager from AmeriCo's Italian subsidiary during the negotiations. It seems that the involvement of Italians was not welcomed in Slovenia, which has had a history of conflict with Italians. According to Slovenians, after World War I, Italians unjustifiably expropriated a large portion of Slovenian territory, and hence subsumed about one-fourth of all Slovenian nationals within the Italian state (Premik 2005).⁸ Some middle managers from the opposition also felt that if the acquisition succeeded, the Slovenian company would be subordinated to the Italian subsidiary or at least that "there will be a great rivalry between Slovan and the Italians". The involvement of the Italian counterpart was thought to be a decisive negative factor by one manager who said: "If AmeriCo hadn't involved the Italians in the negotiations, and the acquisition were led directly from the U.S., perhaps the result would have been different. I dare say that it would have been. Because we, the Slovenians, have this problem; we think of Italians differently." Or as another person put it, "we think it is a disgrace for us to be under the Italians."

Does Nationality Have a Causal Effect on Economic Action?

Skeptical observers may see the above illustrations as interesting but they may wonder whether national identity and cultural conceptions of

⁸ For an excellent ethnographic account of contemporary Slovene and Italian relations and tensions see Ballinger (2003).

nationality have a causal effect on economic action. Do actors really behave differently in economic transactions because of their and others' nationality? The influence of national affiliations on determining the economic preferences may be considered ineffective for those who bet on profit-maximizing as the only real efficiency enhancing mechanisms. However, even these skeptics would have to consent that actors are not irrational if they are guided by nationality concerns. As long as they put a higher premium on maximizing their values as opposed to profits, the means-ends logic of rational behavior stays intact: the economic actors are exercising value rationality and their economic preference is causally related to their national affiliations.

However, it may be harder to persuade skeptics that people's nationality-based typifications, such as distinctions between "American capital" and "German capital," or Slovenian disliking of Italians, have a direct influence on economic action. They sound like *post-festum* rationalizations. After all, people are rational and while they may hold some nationality-based conceptions, they should not let those get in the way of utility maximizing. Well, this may be the case if FDI efforts were simple and straightforward: an investor weighing costs and benefits of alternatives decides on a specific investment, and then - without any social interaction - realizing this investment.

In reality, investment decisions are neither as straightforward, nor as unilateral, nor free of uncertainty. By definition, FDI transactions are relational processes, which involve two parties to an exchange. Hence, it is unlikely that hosts are simply going to accept the investor's offer. As case evidence shows, hosts are active participants in this economic process, and their involvement

shapes the final outcome (Bandelj 2003). The complications will also arise because an FDI transaction is a *social* process, which involves ongoing interaction and negotiation between parties from different national contexts. As social processes, FDI exchanges always involve a certain degree of uncertainty because a particular investment effort is never an exact repetition of a previous exchange. Even for firms with plenty of foreign investment experience, each new investment attempt creates new challenges and novel interactions. To deal with the uncertainty, actors will engage in “the meaning business,” trying to make sense of an unfamiliar situation. In so doing, they will categorize those whom they engage on the basis of existing typifications (mental structures), including nationality-based conceptions.⁹

Moreover, as DiMaggio (1993: 126-127) emphasized, under conditions of uncertainty, economic agents would rely on “sympathy as an assessment criterion... Sympathy is constructed in part out of categories (like us/not like us) and in part out of ongoing interactions in which participants form strong impressions (confidence, distrust).” From this perspective, evaluating the other on the basis of his or her national origin will contribute - or not - to sympathy, and overall positive (or negative) affect, which will influence transaction outcomes. As experimental evidence from psychology and neuroscience (Damasio 1994, 1999, Slovic et al. 2004) shows affect matters importantly in estimating risk: positive affect will lead to estimation of risk as lower than in

⁹ It is likely that the less specific knowledge the actors have about the other potential partner in the exchange, the more they are going to revert to typifications. On the contrary, if they have more time to deliberate and gather additional information, they may override typifications, unless this additionally acquired information supports pre-existing conceptions.

cases where such affect is absent. Concretely, this would mean that negative evaluations of other nationals may lead the partners in the transaction to estimate risks of the transactions as higher than they actually are. For instance, this would induce some hosts to reject a particular investment effort coming from an investor whose nationality they evaluate negatively. On the other hand, investors may perceive locations in countries where they dislike the nationals as more risky, and pass them over for those locations where they evaluate the nationals positively, because affect will make them evaluate those locations as mistakenly less risky.¹⁰

In practice, cultural effects cannot be as easily distinguished from other social influences. As much research in economic sociology has shown, economic transactions are not embedded only in culture, but also in politics, networks and institutions (for review see Smelser and Swedberg 2005). Therefore, in most cases interaction-generated impressions/emotions would constitute additional “evidence” – next to existing personal interests, influences through social ties, and/or political pressures, in helping actors consolidate their interests and thus influence economic decision making. Alternatively, strong cultural conceptions can help actors garner more political support for their position, which would then lead to a particular final decision. All this suggest that in teasing out the causal effects of nationality-based affiliations and conceptions, analysts would need to investigate how cultural conceptions overlap (or not) with other social forces: how they facilitate or constrain political processes and

¹⁰ Affect can serve as a heuristic in the decision-making. However, as any heuristic, affect can be misleading. Slovic et al. (2004) report several experimental studies that show how actors who follow affective judgments make suboptimal decisions.

play (or not) into the existing social relations. For instance, in gauging how national affiliations matter in determining economic goals, it is hard to disentangle the extent to which those affinities derive from a pure cultural sense of national identity, or from a commitment generated because of affiliations to particular nationals, or a combination of both. Overall, it is likely that positive emotional energies will be higher if cultural conceptions are also grounded in actual social relations and also have political valence. Hence, we can make the following hypothesis: cultural conceptions of nationality will be more influential in those exchange situations where they align with existing social and political structures than in those where they are in dissonance with these structures.

Variable Salience of Nationality Conceptions

Thus far, I have emphasized the importance of nationality-related values and nationality-based typifications for foreign direct investment transactions. Nonetheless, national identity is only one aspect of a person's identity and nation-based schemata are only some of the fragments available in the cultural repertoires that people have at their disposal. This means that concerns with national identity or conceptions of nationality will not *always* play a part in foreign direct investment transactions. When will they be more or less salient?

First off, we have to acknowledge that foreign direct investment transactions are likely the type of economic exchange that will make nationality more salient than most other economic processes. By definition, in FDI attempts members representing different national origins come together, which

reinforces one's affiliations to a particular country or makes nationality a salient aspect in the evaluation of transaction partners.

However, it is unlikely that the salience of these schemas is only due to the definition of the economic situation, i.e. exchanges with other nationals. Cultural material that any actor has at his or her disposal in the cultural repertoire is not random but shaped by broader macro-structural conditions (Lamont and Thevenot 2000, Beckert 2004, Bandelj 2006). Certain contextual features may induce cultural resources to be more recent, more resonant with the occurrences, more rhetorically forceful or more usable for action, which are all characteristics that increase the efficacy of culture (Schudson 1989). We infer from this that those nationals, who come from countries where nationalist sentiments are pervasive, will more readily revert to nation-based schemas than others. Specifically, in postsocialist Europe, "national" may have a very pronounced salience because of these countries' history. As many observers point out, expressions of nationalism followed the collapse of communist regimes (Calhoun 1993, Verdery 1993, Harsanyi and Kennedy 1994, Zubrzycki 2001), but "national" became additionally salient for communities from the formerly multinational states of Yugoslavia and the Soviet Union, where the fall of socialism was accompanied by assertions of state sovereignty and independence. Hence, nation-oriented idioms became "widely available and resonant as a category of social vision and division" (Brubaker 1996: 21).

In particular, because of Slovenia's very nascent state identity, nation-building and state-building have been very pronounced at all institutional levels in the country since its independence in 1991. In the economic sphere, for

instance, protectionism from foreign influence on the national economy was institutionalized in Article 68 of the Slovenian Constitution, which stated that foreigners are not allowed to own land in Slovenia.¹¹ (Consequently, this article had to be amended because the European Union (EU) considered it discriminatory to the EU members.) Economic nationalism was also responsible for the initial policy adopted to regulate foreign direct investment. Unlike in most other postsocialist countries, Slovenia's policy was relatively passive, if not restrictive, in the early transition years, offering few incentives for foreign investors to consider Slovenia as an investment location. In contrast, other countries, like Hungary or Estonia, adopted much more permissive FDI policies, which, for instance, offered tax breaks or monetary incentives to foreign investors, lessened the administrative barriers, and removed restrictions on the repatriation of profits (Bandelj 2004).

In addition, collective memory of nations, which includes events of conflict with other nationals, will make nation-based schemata more salient in situations that involve those particular nationals but not others. Hence, the sore relations with Italians that feature prominently in the collective memory of the Slovenian nation made the salience of nation-based schemas greater in transactions that involved Italian nationals. Because economic transactions are strongly influenced by the broader social context in which they take place, the history of conflicts between Italians and Slovenians represented the "cultural baggage" that economic participants had to deal with. In fact, the comparison of

¹¹ It is possible that protection of territorial national sovereignty was also pronounced in Slovenia because of the war in neighboring former Yugoslav countries.

overall FDI flows from Italy and some other countries (in particular Austria, also a neighboring country of similar size), shows that FDI efforts from Italy into Slovenia were significantly less likely to happen.¹²

Nevertheless, we have to realize that some investments from Italy *did* realize successfully. Why didn't nationality conceptions interfere there? To understand this we need to remember the importance sympathy building during the economic interaction process. During this process, participants form various impressions and they can find other cultural bases of similarity that will deflect the potential negative orientations due to unfavorable nationality conceptions. If so, cultural matching will occur and sympathy will still be generated, increasing the likelihood of FDI attempts to realize. Moreover, generic conceptions of nationality (such as Slovenian fear of Italian capital) can be adjusted if people involved in the transactions have affiliate ties (through ancestry, marriage, friendship, etc.) to investor or host countries. Here, the importance of these affiliations (and a resultant positive orientation) will likely override the negative general cultural conceptions. Whether this will be crucial enough to induce the realization of an FDI attempt will ultimately depend on how much actual decision-making power these people have compared to other decision-makers who may maintain strong negative cultural conceptions.

¹² Italy is a much more significant investor in terms of world FDI flows than Austria (UNCTAD 2004), and both countries border with Slovenia. However, by 2001 Austria contributed to about 46% of all FDI stock into Slovenia, while investment from Italy was only 5% (UNCTAD 2001, calculated by the author).

Conclusion

Nationality-based conceptions are part of the cultural repertoires that shape people's economic actions. Their effect is twofold: 1. they influence the formulation of economic preferences, and 2. they influence the sense-making during the economic interactions. How individuals use these aspects of culture is influenced by the broader contextual environment in which they live and by the particular situations in which they negotiate transactions. Figure 1 schematically shows these relationships.

[Figure 1 about here]

Environments where nationalism is pervasive will make nation-based conceptions more salient than elsewhere. In addition, aspects of a nation's collective memory may make nationality more salient for some transaction partners than others. Moreover, during the interaction process itself, positive nationality conceptions may contribute to the process of cultural matching and sympathy building, which will have a positive effect on the final outcome. Alternatively, disliking based on nationality (and resultant negative affect) may lead to a perception of higher risk and ultimate failure of FDI attempts.

Admittedly, cultural conceptions of nationality are only one of the many social influences on economic action, and their effects will be augmented or diminished by how they align with existing patterns of social relations, distributions of power and institutional arrangements. Where other basis of sympathy can be found - either because of the salience of the other aspects of

the partner's identity, or because of social ties or political alliances - then potentially damaging negative conceptions of nationality can be overcome. More empirical research is necessary to test the propositions outlined here and to specify better the conditions where it is more or less difficult to deflect entrenched conceptions of nationality. As I tried to show, these have important implications not only for the political and cultural relations between nations but also for cross-border economic exchange.

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Figure 1. Nationality-Based Cultural Conceptions in Context

