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An Evolutionary View of Internationalization: Chase Manhattan Bank, 1917 to 1996

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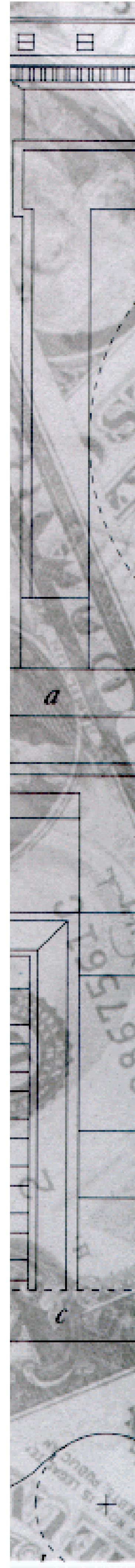

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The Working Paper Series is made possible by a generous grant from the Alfred P. Sloan Foundation

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August 2002

We would like to thank Lilach Nachum and James Walsh for comments on a previous draft as well as the anonymous referee for this journal for their comments. All forced us to clarify our ideas through several iterations. We must also thank Jean Elliot, the Archivist, and Shelley Diamond, the Assistant Archivist, at Chase Manhattan Bank, and Jane Jerome of Chase London for their assistance, without implicating them in any way in any errors or interpretations in this paper. Lastly, Nancy Robertson gave us a useful lead.

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Abstract

We examine the internationalization of Chase Manhattan Bank from its first (indirect) organizational presence abroad to its acquisition by Chemical Bank. First, we posit two internal processes—adaptation and exploration—that serve to introduce variation. Second, we distinguish between two mechanisms—organic growth (or contraction) and reshuffling. Third, we draw on an evolutionary perspective to emphasize three external processes: selection, extinction and generation. The history we describe is not generalizeable; it is the idiosyncratic expression of generalizeable processes.

1.0 Introduction

We follow the internationalization of what became Chase Manhattan Bank from its first (indirect) operations abroad in 1917 to its acquisition by Chemical Bank in 1996 when Chemical adopted the internationally better-known Chase Manhattan name. In 1923, when Chase National Bank opened its first overseas office, it was already the largest bank in the world.[2] Today it is still one of the largest and most international of banks.

Because Chase was not born as an international bank but rather grew into the role, it is an appropriate candidate for a study of the process of internationalization, which we define as the firm's extension of its geographic scope or its increasing involvement in international operations (Welch & Luostarinen 1988).[3] Our unit of analysis is the individual element of Chase's organizational presence outside the US. Our objective is to scrutinize the existing theory of the internationalization process. We do not reject the existing theory but rather argue that it requires enhancement.

We see the geographic scope of Chase's operations as the outcome of its interaction with its environment. The firm enters markets abroad as it engages in processes of exploitative local search or exploratory non-local search. It does so via organic growth or the reshuffling of assets between firms. Emphasizing the role of 'intentional' initiatives is more consistent with a Lamarckian view of evolution (Hannan and Freeman 1984). However, the environment is active, subjecting these offices to selection or extinction while also generating new niches. Introducing an active role for the environment is more consistent with a Darwinian (and even pre-Darwinian or Linnean) view of evolution (stasis). Figure 1 summarizes the paper's theory in graphical form.

Our over-arching theoretical point is that each firm has a unique history located in time and space. This uniqueness is the result of the operation of generalizeable processes that combine in non-repeating ways. Although the processes are the same for every firm, their relative importance varies from time to time and from place to place, and so from firm to firm. This makes prediction impossible; still, as Windschuttle (1996, 242) argues, "The impossibility of prediction does not, however, rule out the possibility of comprehension."

Throughout the history of its international expansion Chase exhibited all four motives for going abroad that researchers have identified.[4] First, it followed or led its customers abroad (Kindleberger 1983). Thus the pattern of Chase's foreign activities reflects the growth of the large companies it serves (Chandler 1986). Second, it sought business abroad from host country firms on the basis of its position in the US, its expertise or its network of offices around the world. Third, it went to international financial centers to participate in capital markets. Lastly, it interacted in a rivalrous manner with key competitors, especially First National City Bank (Citi), also of New York. Frequently firms have expanded abroad to match a competitor's initiative (Knickerbocker 1973). There is evidence for this and more complex behaviors, including mutual forbearance, among international banks (Ball and Tschoegl 1982; Engwall and Wallenstål 1988; Choi *et al.* 1986 & 1996; Jacobsen and Tschoegl 1999). However, our interest in this paper is not "motive" but rather "process".

Our empirical approach is within the idiographic paradigm. We use a unique phenomenon to show the extent to which existing theories help us understand it or require modification (Eisenhardt 1989). Earlier, Beveridge (1961; 140) suggested that:

> "More discoveries have arisen from intense observation of very limited material than from statistics applied to large groups. The value of the latter arises mainly in testing hypotheses derived from the former."

Section 2 provides the theoretical discussion. Section 3 covers our methodology. Section 4 is our data: a history of Chase's internationalization. Section 5 contains the discussion. The first appendix provides a brief description of the legal forms that a bank may adopt for its presence in a host country. The second appendix presents a chronology of some milestones in Chase's corporate history. The third appendix presents several tables chronicling Chase's international expansion from 1923 to 1996. The tables are not exhaustive but we have endeavored to be as accurate and as complete as possible.

2.0 The internationalization process: a theoretical interpretation

The literature on the process of internationalization of individual firms is thin and that on the internationalization of banks is thinner still. The theory of internationalization suffers from the lack of a general paradigm encompassing the variety of patterns observed in reality. We begin by briefly reviewing the Stage theory of internationalization, currently the dominant conceptualization of the process.

The Stage theory originates in the work of Stopford and Wells (1972), who provided a model of organizational phases, and the "Uppsala Model" (Johanson & Wiedersheim-Paul

1975 and Johanson & Vahlne 1977). In the Uppsala model, the firm overcomes the initial obstacles to internationalization—basically a lack of knowledge and resources— through a series of incremental decisions. The firm engages in a stepwise extension of current operations, going first to environments that are culturally close to the home environment. Over time the firm acquires, integrates and uses knowledge about foreign markets and operations; this leads the firm gradually to increase its commitment to foreign markets. As the firm's involvement grows, it adopts a congruent organizational structure.

The Uppsala model has its theoretical base in the behavioral theory of the firm (Cyert and March, 1963; Aharoni, 1966) but shares some characteristics with Product Life Cycle (PLC) theory (Vernon 1966). Both Uppsala and PLC are stage or phase models. Both incorporate Linder's (1961) demand-based theory of trade which posits that much trade originates in firms selling abroad goods they produce for the home market but that appeals to buyers abroad. In the Uppsala model, the firm first responds passively to inquiries from abroad and then starts to prospect more actively and systematically for other possible markets. In time, the firm invests abroad to produce the goods closer to demand. In the PLC the producing country first exports new products to countries with similar demand patterns but eventually the importing country produces the goods.

However, the two models differ in some critical ways. The Uppsala model's unit of analysis is the firm. Over the stages of the model the same firm may produce a variety of products. The PLC model's unit of analysis is the product; the driver of trade patterns changes from demand considerations to Hecksher-Ohlin cost considerations as the product evolves from being an innovation into being a standardized good. Over the stages of the PLC different firms may come to produce the product; the firms producing in the latter stages are not necessarily the firm that first introduced the product.

The Uppsala model derived from observations of the internationalization of Swedish manufacturing firms. Although some studies have offered mixed evidence in support of its predictions (see Turnbull, 1987; Johanson and Vahlne, 1990; Barkema *et al.*, 1996), the model has achieved general acceptance. Thus, Chang (1995, 385) finds that Japanese electronics "firms are sequentially approaching foreign entry with learning gained from past experience."

Service firms, however, could be subject to a different dynamic. For example, Sharma and Johanson (1987) found that the internationalization process of Swedish technical consulting firms was not cumulative. Reid (1983) criticized the stages theory on theoretical grounds by questioning the idea that the firm's organizational form depends on the degree of resource commitment. He proposed a 'contingency based approach' where organizational form is context specific, namely idiosyncratic to the particular environment the firm faces. Similarly, drawing from his study of the internationalization of British companies in Europe, Turnbull suggested that a company's stage of internationalization is "largely determined by the operating environment, industry structure, and its own marketing strategy" (1987: 37).

For service firms in general and for banks in particular the problem with the Uppsala model arises from the necessity to produce services in contact with the customer. Service firms that wished to serve foreign customers have had to carry out a certain amount of foreign direct investment (FDI). Exporting was a limited option.[5] The absence or limited utility of electronic contact has implied that, over most of the period we are examining, for a bank to be able fully to serve its customer the two had to meet because some banking transactions require face-to-face interaction.[6] The need to serve their domestic customers has led banks to physically and culturally distant locations as these customers' own dynamics led them abroad. The desire to serve foreign customers has meant that the bank has had to establish itself in the customer's home country, or the bank and the customer have had to meet in a financial center in a third location.

Before turning to the elaboration of our argument, it is necessary to discuss the role of government. Financial services are highly regulated in almost all countries and hence government regulation is an important part of their environment. The relevant government regulations frequently take the form of what Engwall (1992) has called emigration and immigration barriers. Emigration barriers have impeded only the firms subject to them; immigration barriers are a different story. Immigration barriers close off otherwise potential markets and the removal of the barriers creates opportunities for exploratory entry. Sometimes the immigration barriers are more modest, only taking the form of restrictions on the mode of entry, and thus modifying the trajectory of the foreign firm's presence in the host country. This is one source of Reid's (1983) contingency.

2.1 Internal processes: adaptation and exploration

We begin by positing two processes that originate within the firm and that serve to introduce variation in the form of the firm's geographic scope: adaptation and exploration. We argue these internal processes are optional to the firm in the sense that different managers, faced with the same international environment and the same resources, might make different decisions. Positive outcomes would tend to reinforce the processes and negative outcomes would tend to damp them, but still there is room for discretion. Both adaptation and exploration may represent what the literature on FDI calls asset-exploiting and asset-seeking behavior (Caves 1996, 1998); however, again our concern is with process, not motive, though the two may not be independent.

The adaptation process has the firm seeking out opportunities in an environment that is similar to those in which a firm currently functions. To the degree that the new and existing environments remain similar in key respects, the firm can rely on its previous experience and knowledge. Not only cultural factors but also non-cultural factors may reduce unfamiliarity. When a bank goes to a financial center or follows its clients, although the location may be new, the client base the bank serves there remains familiar.

However, we would suggest that firms also engage in non-local search that we refer to as exploration (March 1991). Local search leads to local optima; reaching global optima may require non-local search (Levinthal 1997). This exploratory search is not likely to be blind or random; all ventures presumably require a justification, even if only in the CEO's own mind (Lamoureaux 2001). Some initiatives will be the result of an opportunistic response to "the emergence of opportunities and/or threats which do not usually arrive in a continuous or controlled manner" (Welch & Luostarinen 1988, 47). When immigration barriers fall a firm may jump in, hoping for a first mover advantage. One may also expect to see firms engage in experiments, many of which will appear arguable, especially in retrospect, and have little to recommend them beyond the value of exploration.

Seeking out new growth opportunities in experientially distant countries may represent a search for real options (Kogut 1991 and Kogut & Kulatilaka 1994). The difference between the conception of exploration as experimentation or as the acquisition of options is subtle. We, the authors, think of experiments as relatively short-lived—while dodging the issue of specifying the duration—they either work or they do not; real options seem to involve the ongoing maintenance of a capability for the eventuality that it may someday prove useful. Conceptually, experiments are more consistent with a world of uncertainty and real options with a world of risk. Of course, the world contains both uncertainty and risk and the same investment may contain elements of both purposes.

Representative (rep) offices provide a case in point. Rep offices cost relatively little to establish and operate. All they require is a representative, a secretary, a rented office, and leased telecommunications equipment. There are even examples of several banks banding together to establish joint rep offices (Boldt-Christmas *et al.* 2001). When one examines the history of a bank, one finds both examples of short-lived representative offices that were probably experimental forays and long-lived ones that were probably options.

2.2 Mechanisms: organic growth (or contraction) and reshuffling

A firm may respond to its environment via two mechanisms: organic growth (or contraction) and reshuffling. By organic growth, we mean that the focal firm creates a new operation or expands an existing operation out of its own resources, which include its borrowing capacity. In organic contraction, the firm reduces the resources it commits to an operation, or even closes the operation completely (Penrose 1959). Organic growth includes de novo joint ventures where the parents each contribute resources to a new venture.

By reshuffling, we mean the exchange of ownership of existing operations. Firms rearrange ownership of assets through the purchase and sale of operations; a firm lacking a comparative advantage with respect to a given operation will sell it to another firm (Lichtenberg and Siegel 1987). This does not mean that the seller is unsuccessful. It only means that the buyer believes that it can extract more value from the operation than the seller is extracting. Reshuffling includes not only mergers and acquisitions or the purchase of a material stake in an existing firm, but also divestitures, spin-offs and leveraged buy-outs by the existing management of the portion spun-off or bought out.

Firms may use acquisitions to bring in knowledge, a mechanism that the Uppsala model neglects. Vermeulen and Barkema (2001) argue that over time firms strike a balance between exploiting their existing knowledge base through start-ups, and adding to the knowledge base via acquisitions. Consistent with this argument, Maitland *et al*. (2001) find that firms cluster their investments, although some firms do display random variation in the timing of their first investments in host countries. Lastly, just as mergers and acquisitions may result in the acquisition of knowledge, divestitures and spin-offs may result in the loss of knowledge to the firm that no longer owns the departed operation.

2.3 External process: selection, extinction and generation

We posit the existence of three external processes. Selection is a systematic process but extinction is a random process (Ridley 1999), as is generation. Selection and extinction trim the variation that the internal processes generate. Generation provides new opportunities to which the firm may respond via adaptation or exploration.

Of our three external processes only extinction is fully mandatory. By contrast, selection may be slow acting in that it may take time before the firm comes to view poor performance as structural, i.e., neither temporary nor fixable. Even then, the decision to leave may be arguable in the sense that the historian may argue that had the firm persisted or perhaps modified its approach, it might have succeeded. Generation is completely optional in that the firm may choose not to take advantage of new opportunities even if it is able to. We deal with each of these three processes in turn.

In evolutionary terms, a firm's survival is contingent on its fit with the environment, which ultimately selects in or selects out all initiatives (Nelson and Winter 1982; Rumelt

1984; Levinthal 1992; Winter 1994). Selection can be either Linnean (pre-Darwinian) or Darwinian; in both, the environment rewards better adaptation and weeds out worse.

Linnean selection emphasizes stasis.[7] Here selection works to curtail variation that would move a species away from its ideal type and hence its fit to a constant environment.[8] An organizational analog would be firms returning to their "core competencies" and divesting themselves of unrelated activities in order to improve their performance.

Darwinian selection is a theory of variation leading to speciation that emphasizes change. The environment selects *in* change that is successful. An organizational analog in the banking world it might involve a bank evolving from being a retail bank with some investment banking activities to being essentially an investment bank. The environment selects out unsuccessful adaptation or exploration. Although managers—as intendedly rational actors— exercise "foresight" in the sense that they undertake the initiatives in the expectation of positive outcomes, the managers cannot fully anticipate the ensuing outcomes and so make mistakes, at least *ex post*. In any reasonably complex system connections between means and ends become uncertain (Emery & Trist 1965); attempts at adaptation will at times experience unexpected consequences (Merton 1949/1967). This lack of success, though pervasive, is different from what we mean by extinction.

The extinction process we posit is the random arrival of a *force majeure*. A firm's foreign operation may be perfectly adapted to its environment—operating profitably and growing apace—and yet a war, revolution, or even a natural calamity may terminate it. Whether this process matters to understanding the firm's geographic scope depends on the period one examines. Fortuitously, at various times in the last century random extinction was pervasive.

Similarly, the generation process is also the result of the random action of a *force majeure*, however in this case the change in the legal or regulatory environment creates a new opportunity. Although firms may bring about generation events through, for instance, lobbying, we see the events as responses to influences beyond those of any one firm. Because we are focusing on banking we neglect the role of R&D or innovation in generating new markets or other opportunities.

Generation may be slow, as a new market develops, or sudden as in the case of the removal of entry barriers. In either case, firms may differ in the extent to which they are willing to respond. The decision to enter a new foreign market not only reflects differences in risk preferences, but also entails judging the value of early resource commitments. Besides the case in which later entrants are targeting markets first movers have left untapped, both early and late entrants can coexist within the same market if, given their level of post-entry efficiency, they still earn persistent rents (Rumelt 1984).

3.0 Methodology

Because Chase's international involvement is extensive both over space and time, Chase provides an appropriate case for examining internationalization. As a multinational bank from a large country, Chase did not face the problem that banks from small countries face—their home countries' trade and limited FDI provide them with a limited scope for FDI (Boldt-Christmas *et al.* 2001; Merrett 2003). Because Chase's internationalization spans some 80 years, we did not need to fear sampling on a "golden age." Furthermore, unlike many European and especially British Overseas banks, Chase's founders did not intend *ab initio* for it to be an overseas bank.[9] Chase grew into its international presence, in part by buying (American) overseas banks. Chase's history is much more like that of Citibank (see below), or of the Norwegian (Boldt-Christmas *et al.*, 2001) or Singaporean banks (Tschoegl 2002), which developed international operations after first building a domestic base.

We collected our data from a variety of sources, including open documents from Chase's archives. Chase sources included annual reports and internal staff newsletters. Because Chase had sealed its post-World War II history we also relied upon sources external to Chase. These included press reports and scholarly books and articles on Chase's history and on banking history. We found articles from the *Financial Times*, *Wall Street Journal* and the like particularly fruitful for information on the timing and rationale for the closure of offices.

Our study documents tracks Chase's opening and closing of foreign operations, in chronological order. Rather than selecting only examples that we believe are illustrative, we are instead exhaustive (and perhaps exhausting) in our description. We do this to avoid imposing meaning on events from our knowledge of outcomes. We do not "subjectively" impose an interpretation of the events, but rather let the order in which they actually took place "objectively" suggest the interpretation. Stated differently, we let our interpretation emerge from the evidence. Also, by chronicling a rich history rather than presenting illustrative examples, we demonstrate the historical contingency of the mix of processes. Lastly, we bracket our level of analysis—the opening and closing of offices—by going up a level to discuss some geopolitical trends in which Chase's expansion was embedded, and by going down a level, to discuss some developments with the leadership of the bank.

4.0 Chase's internationalization: the history

The temporal divisions we use to highlight broad geopolitical trends—the Concessionary Era (1918-1945), the National Era (1945-1975) and the International Era (1975-date)—are Robinson's (1964). The reason we use them is because Robinson's classification is the only one extant that seeks to describe the co-evolution of international business and its environment.

Robinson's Concessionary Era was essentially a transitional period following the Exploitative Era (c. 1850–1914). During the Concessionary Era Western enterprise attempted to freeze its status in the non-Western world in the face of the home countries' weakening power umbrella. The National Era was a period of decolonization, rising nationalism, and a stigmatization in the eyes of many of private enterprise and especially the multinational enterprise (MNE). The International Era is one of increasing openness in which governments at best court and at worst accept the entry of the MNE.

4.1 The Concessionary Era (1918-1945)

In 1914, the US government finally permitted those national banks with a capital in excess of US$1 million to establish foreign branches. Chase's first international organizational presence began in 1917 when it joined with some 33 other US and one Canadian bank to form American Foreign Banking Corporation (AFBC). AFBC immediately acquired Commercial National Bank of Washington DC, which had established a branch each in Panama City and Cristobal in 1915. At its peak in 1920, AFBC had 19 branches outside the US. Still, Citi and its subsidiary, the International Banking Corporation (IBC) accounted for almost all the other foreign branches of US banks (Quigley 1989).

Citi had bought IBC, a bank specializing in international banking with offices throughout the world, in 1917 (Mayer 1973). Chase's participation in AFBC and its later purchase of AFBC and Equitable Trust were in part an attempt to catch up.[10]

AFBC rapidly got into trouble. Citi and the other US banks in the Caribbean experienced heavy losses following the crash in sugar and other primary commodity prices in 1920 and the subsequent depression, leading them to close many of their branches (Quigley 1989). The US banks, having lent aggressively in order to win business away from the already well-established Canadian banks, consequently were more vulnerable. Part of the reason the US banks had gone to the Caribbean was to counter the New York agencies of the Canadian banks that were drawing the business of US firms with interests in the region.

Chase opened a representative office in London in 1923; this was its first wholly owned office outside the US. Canada would have been even less of a jump (and perhaps a counter-move to the Canadians in New York), but the Canadians forbade entry. AFBC cut back its overseas operations and in 1925 Chase bought its three remaining branches in Havana, Panama City, and Cristobal in the Canal Zone (Phelps 1927).

In 1929, Chase Securities, a subsidiary of Chase Bank, acquired a controlling interest in American Express (Amex). Albert Henry Wiggins, Chase's Chairman and CEO, wanted Amex for its international branch network (Grossman 1987).

Chase's merger with Equitable Trust in 1930 was even more important to its internationalization than the acquisition of AFBC because it provided the foundation for Chase's future international strength (Wilson 1986, 14). Equitable Trust brought with it extensive international correspondent banking relationships and branches in Paris (est. 1910), Mexico City (est. 1918), Shanghai (est. 1921), Hong Kong (est. 1924) and Tianjin (est. 1929). Equitable Trust also had a London branch and claimed to be the first US commercial bank to have established an office there.[11]

The AFBC and Equitable Trust mergers accelerated the process of acquiring knowledge as Chase absorbed existing branches with their practices and expertise. Equitable Trust brought with it another influence. The President of Equitable Trust was Winthrop Aldrich, John Rockefeller's brother-in-law and future President (1930) and Chairman of Chase (1934). Equitable Trust's largest and most important shareholder was John D. Rockefeller, father of David Rockefeller who in 1969 became CEO of Chase.

However, the passage of the Glass-Steagall Act in 1933 impeded Chase's internationalization. Chase had to divest itself of Chase Securities (Hatch 1950) and so in 1934, Aldrich swapped Chase Securities and Amex for the Chase shares that Wiggins still owned (Grossman 1987). Still, Chase did open a branch in Puerto Rico in 1934. This was its first overseas branch that Chase had not bought. However, the Depression and collapse in international trade reduced the volume of activity that might have given the bank a basis for further international expansion before the outbreak of World War II.

World War II, or the run-up to it, forced Chase to close its branches in Hong Kong, Shanghai and Tianjin, and its representative offices in Berlin and Rome. Paris was an exception. When the Nazis occupied Paris most American banks closed their offices and Chase initially planned to do the same (Hirsch 1998). However, in early 1941 it was able to replace the American branch manager with a Swiss national. Chase then permitted its Paris branch to continue to function during the war, albeit under German administration.[12]

4.2 The National Era (1945 – 1975)

After World War II, Chase initially reopened the branches in Hong Kong, Shanghai and Tianjin that it had closed during the war. Chase also added to the Cuban, Panamanian and Puerto Rican operations. At first its only completely new branches were in Germany and Japan. However, these only served Americans stationed with the US Occupation Forces.

In China, Chase closed its branches in Tianjin in 1949 and Shanghai in 1950 after Mao Tse Tung's defeat of the Kuomintang. The Communist victory even led Chase to close its Hong Kong branch in 1951. Hong Kong, flooded with refugees, bereft of natural resources, and having lost its hinterland, seemed to lack prospects. Also, Chase wished "to avoid financing trade with Communist China."[13]

Chase's loss of its operations in China was only the first example of extinction that followed from the policies of nationalization and nostrification characteristic of the National Era.[14] In addition, many countries imposed prohibitions on new entry or at least limitations on the operations of existing foreign firms. During the Era many countries that had been open to foreign banks closed and no countries opened that had been closed (Tschoegl 1985).

Under Aldrich's leadership in the post-War period to the late 1950s, Chase focused on working through and with correspondent banks. Still, Aldrich started the practice of the CEO making exploratory trips abroad. His exploratory trips in Latin America (1947) and the Middle East (1950) provided a foundation for Chase's later internationalization.

Rockefeller—who at that time was in charge of the Latin American operations—advocated serving not only US customers, but also assisting local businesses and the development of the local economy. In 1952, Chase established its first presence in Brazil, a country that seemed to offer growth opportunities.

Between 1959 and 1961, Chase and Citi led the Association of New York Clearing House Banks to sponsor a bill permitting foreign banks to open branches in New York. (In 1951, New York had authorized agencies.) Both Chase and Citibank were meeting resistance to their expansion in Japan and Latin America on the grounds that New York did not offer reciprocity (Pauly 1988).

In the Middle East, Chase attempted to establish a branch in Saudi Arabia in response to the needs of the US oil companies already operating there. However, the opposition of the Saudi government prevented Chase from opening a branch or subsidiary. Then in 1960 Chase lost its operations in Cairo to nationalization spurred by the 1956 Arab-Israeli war.

By the beginning of the 1960s Chase enjoyed a leading position in the Caribbean with 15 branches in Puerto Rico, the Virgin Islands, Panama and the Bahamas. Subsequently, Chase strengthened its presence in the area, particularly in Puerto Rico.

CEO succession often brought major shifts in strategy, organization and culture at Chase. Indeed, Chase's internationalization process largely mirrors the strategic orientations and preferences of those in power. After John J. McCloy retired in 1960, Chase's board refused to choose between George Champion and David Rockefeller. From 1960 to 1969, Chase had a co-CEO arrangement. The Board formalized the arrangement in 1961, by appointing Champion chairman of the Board and Rockefeller president and chairman of the Executive Committee. Unfortunately Champion and Rockefeller had very different opinions on basic issues, including internationalization.

Champion remained wedded to correspondent banking and saw foreign branches as being of value chiefly to serve US customers; Rockefeller wanted a network of offices abroad to serve customers from all nations. Rogers (1993, 132) reports the following comment by Rockefeller: "Champion reluctantly went forward with overseas expansion, but each branch we opened was a battle. And because of his objections and our many differences, the process of global expansion was slowed up a lot. What would happen on many proposals I put forth was that he would sit on them and no action would be forthcoming for a long time."

Still, Chase did engage in some international initiatives; two were quintessential examples of reshuffling. In 1962, Rotterdamsche Bank acquired Nationale Handelsbank and in 1963 sold its overseas branches in Thailand, Hong Kong, Japan and Singapore to Chase. Chase sold the Japanese offices to Continental Illinois as it already had its own branches there but retained the others.

Because South Africa did not permit foreign banks to open branches, Chase had started its operations in that country by opening a subsidiary in Johannesburg in 1959. Within three years, the subsidiary established a branch each in Capetown and in Durban. In 1965, pressure from Civil Rights groups in the US led Chase to sell its operations in South Africa to the UK's Standard Bank. Standard owned the Standard Bank of South Africa (SBSA), the second largest bank in South Africa, and the British Bank of West Africa (BBWA). Chase sold its offices in South Africa to SBSA and its offices in Liberia and Nigeria to BBWA. At the same time Chase took a 15% stake in Standard Bank

Also in 1965 Chase opened a rep office in Australia. Although Australia forbade entry in commercial banking, in 1969 Chase formed a merchant banking consortium with National Bank of Australia and A.C. Goode. Eventually this became a 50-50 joint venture—Chase NBA—which in turn opened a subsidiary in New Zealand. Also in the Asia-Pacific region, Chase established a branch in Saigon in 1966 and five other branches followed.

The wave of nationalism that swept Latin America in the 1960s and early 1970s forced Chase to reduce its ownership in local banks or even leave (Wilson 1986, 165-167). Cuba nationalized Chase's operations there in 1960. In Peru, Chase had acquired 51% of Banco Continental in 1965. In 1970, the Peruvian government nationalized the bank and Chase did not return to Peru until 1980. In Venezuela, the government first required Chase to reduce its participation in Banco Mercantile y Agricola from 51% (1962) to 20% (1971); Chase sold its interest in 1980 to a local group. In 1967, Chase acquired 43% of Banco del Comercio in Colombia. It had raised its ownership to 51% before the government forced it to reduce its ownership to about 35%. The financial crisis of 1985 brought the bank to failure, leading the Colombian government to nationalize it in 1987. Chase bought 47% of Banco Argentino de Comercio in 1968 and by 1973 it owned 70%.[15] In 1974 the Peronist government nationalized this and a number of other foreign banks, without compensation. The government never fully implemented its takeover so most of the banks continued to operate with their original staff, but under official overseers. A military coup in 1976 brought a new government that returned the banks to their owners in 1977. However, Chase required state banks to assume about 80% of the new loans written during the period of intervention because Chase feared that many were questionable. In Honduras, Chase's initial 51% participation in Banco Atlantida, in 1974 became a 25% interest in Inversiones Atlantida, a holding company for Banco Atlantida. By contrast, Brazil, while later blocking new entry, still permitted Chase to increase its share of Banco Lar from an initial 51% (1962) to complete ownership by the 1980s. Its experiences in South America led Chase in 1975 to create a Country Risk Committee to monitor the economic and political situations of the countries it was planning to enter or which it had already entered.

In Europe, Chase decided to acquire troubled banks in an attempt to build a presence in retail banking. In 1965 Chase joined with Banque Bruxelles Lambert and bought 49% of Banque de Commerce in Belgium. The next year Chase bought Österreichische Privat und Komercial Bank. In 1973, Chase bought Familienbank in Germany but was unable to make a go of it and so sold the bank in 1979.

The birth of the Eurodollar market in the late 1950s and its expansion in the 1960s created a major opportunity for Chase.[16] Chase, like most of the major international banks at the time, reacted by founding and participating in consortia. Consortia are multi-parent joint ventures and enjoyed a brief vogue between 1965 and 1975. Ultimately, most consortia disappeared, having proved themselves unable to withstand their fissiparous tendencies (Ross 1998; Jacobsen & Tschoegl 1999).

In 1966, Chase attempted to establish a consortium bank with Skandinaviska Enskilda Bank, Banque Bruxelles, Banque Lambert and Pierson, Heldring & Pierson to enter the Eurobond market but the project fell through. However, in 1970 Chase helped found Orion Bank together with Westdeutsche Landesbank Girozentrale (WLG) and Credito Italiano (CI). A various times Orion also included as partners Mitsubishi, National Westminster (NatWest) and Royal Bank of Canada (RBC). At most there were five parents, including Chase. Orion specialized in large-scale medium-term lending; RBC bought it in 1981.

In 1968, Chase allied with Bank of Ireland to form a joint-venture merchant bank in Ireland. In 1979, Chase bought out Bank of Ireland, but not before allying with it in a venture in the Channel Islands (see below).

In 1972 Chase helped establish Libra Bank, which specialized in lending to Latin America and the Caribbean. Libra's parentage paralleled that of Orion. In 1986, Libra's parents were Chase (23.6%), Mitsubishi (10.6%), RBC (10.6%), WLG (10.6%), Swiss Bank (10.6%), CI (7.1%) and NatWest (5%).[17] (Its parents wound Libra up in 1990.) Also in 1972, Chase joined with Commerz Bank and Commercial Bank of Kuwait to found Commercial Bank of Dubai but by 1979 all three had sold their interests. Chase (42.5%) joined with Singapore's United Overseas Bank (UOB; 42.5%) and Nikko Securities (15%) and to found United Chase Merchant Bankers. UOB bought out its partners in 1982.

Next, Chase established Chase Manhattan Ltd. (CML; 1973) to engage in merchant banking. CML managed and participated in large medium-term loan syndications for public agencies and private industry, including financing special projects throughout the world. In 1977 Chase created Chase Manhattan Asia (CMA) to encompass activities that Chase began in 1972. CMA became a leader in Far Eastern merchant banking and provided financing for governments and corporations.

In 1972, Chase and then Standard Bank formed a consortium with Arbuthnot Latham to create Chase and Standard Bank (Channel Islands). In 1970, Standard Bank bought Chartered Bank, with which it merged in 1975, diluting Chase's shareholding (Huertas 1990) to 12%. The merger forced Chase to dissolve its alliance with now Standard-Chartered Bank and to sell its shares to Midland Bank. (Unfortunately, Chartered owned a subsidiary in California, Chartered Bank of London and the US Federal Reserve ruled that the merger had brought Chase into violation of US prohibitions on interstate banking.) In 1976, Bank of Ireland bought Standard Chartered's share in Chase and Standard Bank, and Chase bought out Arbuthnot Latham to give it 57% of the now joint venture. Later, Chase bought out Bank of Ireland.

Opposition to the entry, in their own name, of foreign banks limited Chase's involvement in Kuwait. Nonetheless, Chase was actively and profitably involved there in the 1970s and later. Chase, the Bank of America, Chemical Bank and Morgan Guaranty Bank had contracts under which they provided management assistance and personnel to the large local banks. The government permitted U.S. and foreign banks to own up to 49 percent of the equity in local investment and financial institutions.

In 1974, Chase closed 6 military banking facilities in Thailand. In 1975, Chase departed the Republic of Vietnam precipitously when the People's Republic of Vietnam took over the country. This event gave rise to an interesting case in which a US court found Chase New York liable for piaster deposits in its Vietnamese branches (Dufey and Giddy 1984).

Throughout its history Chase maintained a centralized, hierarchical and bureaucratic structure (Rogers 1993). Until the late 1950s, the organization was not complex. All the departments reported directly to the CEO. There were no staff functions and relations were quite informal. In the 1960s – mostly because of Rockefeller's interest in new managerial systems—Chase introduced many new staff functions (for instance, a planning and budgeting function) and became a staff-driven organization. The result was a bureaucratic organization, overloaded with paperwork and with too many layers of management.

In 1969 Champion retired and Rockefeller became chairman and sole CEO. Chase then embarked on developing its overseas activity on a large scale. Although Chase rationalized the existing branches and affiliates competing in diverse businesses in all parts of the world, between 1970-1976 international expansion outdid domestic. The few major countries that Chase did not enter remained uncovered mostly because of their own restrictions on the entry of foreign banks.

The new management team tried to revitalize management by delegating authority down to the line departments and by emphasizing the importance of performance, all with an aim of changing Chase's paternalistic culture. The expansion into new countries and the diversification into merchant banking marked two major sets of changes that required the acquisition and development of new competencies. Thus Rockefeller developed a particular interest in personnel policies and practices. He became more willing than in the past to hire from outside Chase, and paid more attention to professional qualifications. Rockefeller also reorganized the bank. In the international department he introduced a management task approach and a division into geographic units.

Still, Chase's organizational culture stood in sharp contrast with that at Citi. Citi was more decentralized and agile, in line with its entrepreneurial culture and first-mover-oriented strategy (Rogers 1993, 101). Even when Chase was first to enter into new markets, Citi—with its entrepreneurial and aggressive business approach—on several occasions garnered more benefit (Rogers 1993). Even worse, Rockefeller was unaware of many issues affecting Chase. One source of isolation was the very staff that he had largely created. As Wilson

(1986, 294-295) puts it: "Most troublesome was upward communication, especially the reluctance of subordinates to bring bad news to their superiors. Outsiders had criticized this in senior management, holding Rockefeller to be too isolated and not informed of problems, and there was some merit in this allegation." A second source of this isolation was Rockefeller's penchant for spending most of his time traveling abroad.

Rockefeller continued Aldrich's practice of CEO trips. Two particularly noteworthy trips were the 1972 visits to the USSR and the People's Republic of China (PRC). Chase subsequently became the first US bank to open an office in Moscow (1972) as the bank reacted to a growing interest on the part of US firms in Eastern Europe and the Soviet Union. The trip to the PRC followed the Nixon-Kissinger 1971-72 initiative aimed at re-establishing the relations between China and US and eventually led to entry there too. Chase's rep offices were real options: they could do little, but allowed it a window on what might come to be important opportunities.

4.3 The International Era (1975 – Date)

The discrediting and subsequent demise of Communist, Fascist, One-Party Socialist and certain Corporate-Statist models has led, since the mid-1970s, to many countries opening to foreign banks. Notable examples of opening include Australia, Canada, Chile, Egypt, Mexico, the Nordic countries, Spain and most of the formerly Communist countries of Eastern Europe. In many cases, Chase entered or expanded its operations.

In 1974 Chase established a rep office in Cairo and in 1975, a joint venture, Commercial International Bank, with National Bank of Egypt. Chase's 49% ownership was the most allowed by Egyptian law. In 1987, Chase sold its share to its partner.

Also in 1974-75, Chase entered into a joint venture with Industrial Credit Bank in Teheran to create International Iran Bank, in which it took a 35% stake, after an attempt to ally with Bank Saderat fell through. Chase also established a rep office. In 1979 the Iranian government nationalized all private banks and folded International Iran Bank into Bank Mellat, one of two banks it created to hold a number of the newly nationalized banks.

In 1975, Chase entered Saudi Arabia with a 20% participation in the newly established Saudi Investment Banking Company and a contract to manage the venture. (In 1987, Chase gave up the contract. It tried to sell its shares in 1988 but was only able to sell 5%. Its ownership is now down to 7.5%.)

Chase had had a representative office in Spain since 1962. Soon after the government liberalized entry Chase established its first branch in Madrid in 1979; in 1985 it acquired Banco de Finanzas. In 1984, in advance of Australia's opening, Chase sold Chase NBA to NBA and in 1985 it entered into a 50-50 joint venture with Australia Mutual Provident (AMP) to enter retail banking there. Chase AMP quickly became one of the three leading foreign banks in Australia. In Norway, Chase was in the first wave of entrants in 1985 with a subsidiary that survived only until 1992. (Tschoegl's (2002) statistical results suggest that the foray was not quixotic but rather supportable in the sense that the US banks that entered should have done so, even though not all could expect to survive.)

In 1979 the PRC started to liberalize entry; Chase opened a representative office in Beijing in 1981. Branches in Shanghai, Tianjin and Beijing followed in the 1990s, as liberalization progressed. Chase also took the lead in financing the development of China's civil aviation sector by arranging several major loans.

Not every government mandate that results in departure is an expulsion. In 1986, Chase closed its operation in Jordan and sold the assets to the Bank of Jordan rather than obey the government's requirement that the bank increase its capital. The fall in oil prices in 1986 hit many economies in the Middle East and Chase, among others, decided instead to reduce its presence there and elsewhere in the region (e.g., in Abu Dhabi, *inter alia*). In 1994, Chase transferred its branches in Malaysia to a newly created subsidiary there in compliance with a law mandating the change.

Nor are all departures resulting from political influences are responses to sudden changes in policy. In 1985, Chase threatened to withdraw from its 40%-owned affiliate—Chase Merchant Bank Nigeria—in protest over the government's interference in hiring and firing decisions. Chase had difficulty finding a buyer and ultimately the government took over the bank, renaming it Continental Merchant Bank of Nigeria. Chase apparently maintained a rep that it later upgraded to a branch before closing it in the mid-1990s.

Under mounting pressure from Civil Rights groups, Chase adopted the Sullivan Principles, and after the imposition of UN sanctions in 1985, Chase stopped lending to the South African government. Then in 1986, Chase closed the representative office it had established in Johannesburg in 1975.

In 1985, it closed its Beirut operations, which it had re-entered in 1965, handing over its business to Banque Sabbag et Française pour le Moyen Orient. Many foreign banks were leaving Beirut at about the same time during the resumption of the civil war.

In 1987 withdrew from Liberia, which it had re-entered Liberia in 1970. It sold its Monrovia branch to Meridian Bank, its Gbanga branch to National Housing and Savings Bank, and its Harbel branch to Agricultural Cooperative Development Bank.

In the late 1980s, Chase changed its strategy and decided to exit retail banking abroad. Chase's experience with retail banking abroad is consistent with Tschoegl's (1987) argument that foreign banks should avoid the retail banking business in developed financial markets where they generally lack a comparative advantage.[18] Chase's strategy thus diverged from Citi's strategy of focusing on serving well-to-do-urban professionals worldwide. Also, Chase's withdrawal is almost contemporaneous with the Spanish and other foreign banks' acquisition of retail subsidiaries in Latin America (Guillén & Tschoegl 2000). Chase, however, decided to concentrate on providing cross-border financing solutions to its customer base around the world. Still, the reshuffling process of divesting itself of these operations took time as Chase ended up selling them piecemeal, often to local banks. Usually, but not always, Chase retained a branch or representative office in the country.

In 1988, Chase sold its Argentine subsidiary, the ex-Banco Argentino de Comercio.[19] In 1989 it sold its Belgian subsidiary, Banque de Commerce,[20] only three years after incorporating Manufacturers Hanover Bank (Belgium). In 1991, it sold its retail branches in Argentina,[21] and most of its branches in Puerto Rico.[22] In 1992, it sold Chase España[23], its share in Chase AMP,[24] its retail operations in Indonesia,[25] and its branches in Greece,[26] and closed its subsidiary in Norway. In 1993, it sold Chase Austria and its consumer bank in Chile.[27] In 1994, it sold its retail operations in Singapore and its branches in Pakistan.[28] In 1998, it sold its remaining operations in Puerto Rico.[29] In 2000, it sold 11 of its 12 branches in Panama.[30]

In the early 1990s, Chase also re-entered some countries and entered some others that had recently opened. Chase re-entered Egypt and Lebanon. It entered the Czech Republic and Romania, both of which had opened after the fall of the Soviet Empire. In 1995, after the end of Apartheid, Chase again opened a representative office in Johannesburg.

In 1996, Chemical Bank acquired Chase and its name. Chemical brought with it operations in many countries, including some in countries in which Chase was not operating. Chemical had not been very international but it had acquired Manufacturers Hanover in

1991. At the time Manufacturers Hanover had more offices abroad than Chase. Thus the Chase name returned to Norway via a subsidiary that Chemical had inherited from Manufacturers Hanover. Chemical also brought some presences of its own such as the banks in Argentina and Uruguay that it owned with Dresdner and Credit Suisse.[31]

5.0 Discussion and conclusion

This paper began in our sense that the Uppsala model of internationalization was incomplete. The Uppsala model is, in our terms, one of internationalization as organic adaptation. Our findings are that if one wishes to understand internationalization and the present geographic scope of a long-lived firm's operations, one must introduce other processes and widen the menu of mechanisms.

Throughout the 80-year period we examine, the geographic scope of Chase's operations evolved as two processes internal to Chase interacted with three processes external to it. In its responses, Chase used both the mechanism of organic growth and contraction and the mechanism of reshuffling—acquiring whole operations or disposing of them. Chase engaged in both adaptive and exploratory search in response to existing markets and new markets that the environment generated (Table 1). However, not all initiatives succeeded or even survived with Chase closing or selling some in response to selection pressures, i.e., its perception of their lack of success, and others in response to extinction events (Table 2).

We have deliberately not attempted to classify all the events that we list in Appendix 3 into the categories in Tables 1 and 2, or to create a census of relative frequencies of different combinations. All our processes operated simultaneously; their relative frequency is nothing more than an artifact of the particular period these 80 years span. Similarly, Chase used both the organic growth and contraction and reshuffling mechanisms at the same and at different times. The absence of an instance of exploratory reshuffling in response to generation events is fortuitous, not structural. After 1989, many international banks entered Transition Economies such as Bulgaria, Hungary, Poland and others via the acquisition of a local bank in a privatization. Chase did not participate in these because by then it had learned that others were better at retail banking outside the US.

Because Chase experienced a World War and the subsequent National Era, extinction events were commonplace in its history. Subsequently, the International Era provided many generation events for Chase to respond to or not, as CEOs decided. There are four cases (Egypt, The Lebanon, Nigeria and South Africa) where Chase has entered three times, having withdrawn twice, sometimes in response to a *force majeure* event, sometimes in response to selection pressures.

Again, one can make no general statement about the relative importance or frequency of occurrence of our processes and mechanisms. All we have is a particular span of history. The relative importance of adaptation and exploration, organic growth and reshuffling, and selection, extinction and generation is stochastic across time and firms. Each firm will have its own history—true for the time one examines and made up of generalizeable processes—but not itself generalizeable.

[1] Chase National Bank merged with the Manhattan Company in 1955 to form Chase Manhattan Bank; see Appendix 1. The merger put Chase Manhattan ahead of Citibank in terms of size. The day before the Chase and Manhattan merger, National City Bank had merged with the much smaller First National Bank to form First National City Bank (Cleveland and Huertas 1985), which became Citibank and now CitiGroup.

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[3] Our choice of Chase as a case study in internationalization is fortuitous. A paper by Prasad and Ghauri (1998), in which the authors look at Chase's international expansion between the World Wars, niggled us, leading us to prepare what we believe is a more comprehensive theoretical statement.

[4] Williams (1997) provides a good, recent survey of the literature on FDI in banking.

[5] In banking correspondent banking is the nearest analog to exporting. Here one bank, the correspondent, makes payments to (generally local) parties, for a fee, at the request of its client bank located in another county, state or country. Correspondent banks also process trade-related documents and payments under Letters of Credit or other arrangements. Lastly, correspondent banks may exchange market intelligence and provide credit references for their non-bank clients. The only paper we are aware of that deals with correspondent banking internationally is Merrett's (1995) paper on the Australian banks' experience.

[6] See Tschoegl's (2000) survey of the literature on financial centers.

[7] Stasis is a challenge for Darwinian evolution (Wake, Roth and Wake 1983) and poses interesting issues for organizational evolution too. The authors hope to turn to this issue in a subsequent paper.

[8] The breeding of "pure bred" show dogs appears to the authors to be one of the greatest modern examples of Linnean selection.

[9] For a good introduction to the British case see Jones (1998). For the French case see Bonin (1991). We are not aware of any similar treatments of the Dutch, Belgian or German cases.

[10] To get a sense of the rivalry between Citibank and Chase, we would guide the reader to Cleveland & Huertas (1985), Wilson (1986), Miller (1993), and Rogers (1993). For a brief overview of the parallel development of the international operations of the two banks see Prasad (1999).

[11] Abrahams (1976) says 1895. However, Equitable Trust had bought North American Trust (NATC) in 1912. In 1899, NATC had become the liquidator of Jarvis, Conklin Mortgage & Trust Co. (JCMT), and operated out of JMCT's former office in London. Samuel Miller Jarvis and Roland R. Conklin, two American financiers, had established JCMT in 1887 to sell US industrial and commercial mortgages to UK investors. Thus, in 1987, Chase published a pamphlet on the occasion of the 100th birthday of its London office (Chase Manhattan Bank, 1987).

[12] A U.S. Treasury report of April 3, 1945 found that "Total deposits in the Paris office virtually doubled in the first year under German administration." Those deposits included accounts belonging to the German government. The Treasury also noted that Chase had acted as an intermediary between German banks and their overseas branches, "in transmitting to Berlin instructions, credit advices, statements and the like." The French government found that the Paris branches of J.P Morgan, Guaranty Trust Co. of New York, Bank of the City of New York and American Express too handed accounts over to the Nazi occupiers. Apparently, across all five banks the number of accounts totaled about 100. At the time, the United States was not at war with Germany.

[13] Chase archives (Undated document).

[14] By nostrification we mean government policies aimed at ensuring that domestic citizens establish ownership and exercise control over instances of FDI in the country. The first use of the term that we are aware of is in connection with the extension of Czechoslovak control over the local operations of Austrian firms after the dissolution of the Hapsburg Empire.

[15] Deutsche Sudamerikansiche Bank held 22%.

[16] Eurodollars are deposits denominated in dollars on the books of banks outside US, including the branches of US banks abroad. For a history of the origins of the market see Schenk (1998); for a discussion of the market, see Dufey & Giddy (1978).

[17] The remaining shareholders were: Banco Itaú (8%), Bancomer (8%) and Banco Espirito Santo (5.9%).

[18] Interestingly, the evidence for the US parallels Chase's experience. DeYoung and Nolle (1996) found that foreign banks in the United States were significantly less profitable than comparable US-owned banks, however the evidence for tax avoidance by international banks means that one cannot make too much of this evidence.

[19] To Crédit Lyonnais.

[20] Also to Crédit Lyonnais.

[21] To Banco Francés, an Argentine bank.

[22] To Banco Roig, a local bank.

[23] To Portugal's largest savings bank, the state-owned Caixa Geral de Depositos.

[24] To the Australian bank, Westpac.

[25] To Bank Universal, a local bank.

[26] To Bank of Pireus.

[27] To Banco Edwards, a Chilean bank.

[28] To Muslim Commercial Bank.

[29] To Banco Bilbao Vizcaya, a Spanish bank with extensive operations in Puerto Rico and elsewhere in Latin America.

[30] To Hongkong & Shanghai Bank, which already had five branches in Panama.

[31] Banco General de Negocios (Chemical: 22%) and Banco Comercial (1990; Chemical: 17%). Dresdner inherited its participation from Deutsche Sudamerikanische Bank, which it had taken over.

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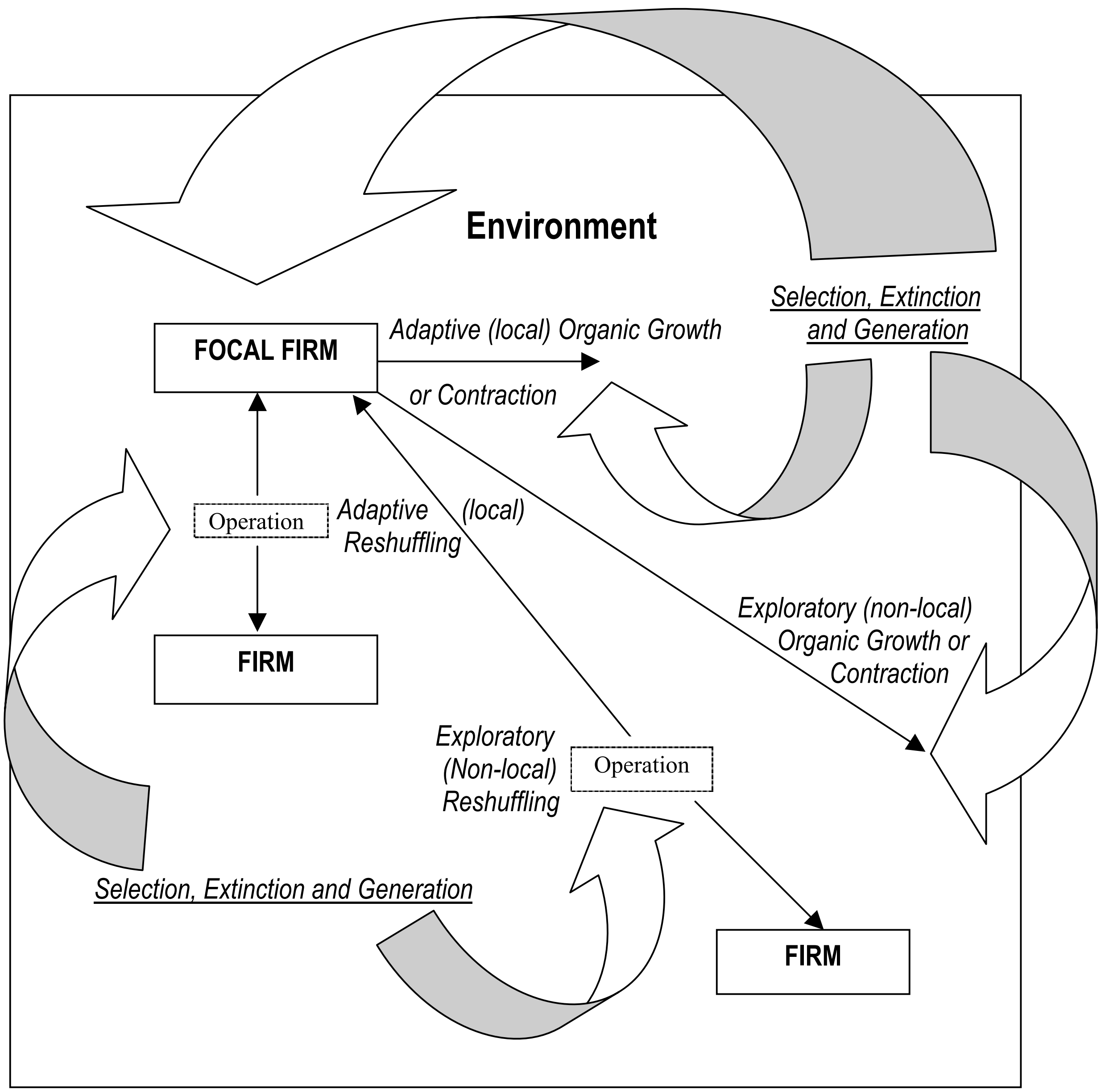
Table 1: The interaction between internal processes and mechanisms at entry		
Internal Processes and mechanisms	**In existing markets**	**In response to the *generation* of new opportunities**
Organic Adaptation	**Puerto Rico** (1925-1998) First non-bought overseas branch	**Eurodollar Market** (1950s-1970s) Chase joined consortia to enter the growing market.
Organic Exploration	**India** (1945 -) Chase established a rep office.	**Norway** (1985-1992) Chase established a subsidiary when Norway opened.
Adaptive Reshuffling	**Caribbean** (1925 -) Chase acquired full ownership of AFBC.	**Spain** (1962 -) Chase entered with a rep and after liberalization of entry bought Banco de Finanzas.
Exploratory Reshuffling	**China** (1930-World War II) Chase entered via acquisition of Equitable Trust.	

Table 2: The interaction of external and internal processes at exit

	Selection	Extinction
Organic Contraction	**Panama** (1925-2000) Chase sold its retail operations.	**Germany** (1929 – WW II) Chase closed its rep office due to the war.
Reshuffling	**South Africa** (1959-1965) Chase sold its subsidiary to Standard Bank.	**Cuba** (1925-1960) The Cuban Government nationalized Chase's operations.

Figure 1

Drawing the Theory



Appendix 1: Chronology for Chase Manhattan Bank

1799	The Manhattan Co. is founded to supply New York with water and establish a bank to challenge the supremacy of the Bank of New York and the Bank of the United States. The same year it opens the Bank of Manhattan Company.
1808	The Manhattan Company sold its water operations to concentrate on banking.
1832	The company started its foreign activities with a correspondent banking relationship with the Bank of Bermuda.
1859	The company funded bond payments for the construction of the Erie Canal.
1877	John Thompson founded the Chase National Bank.
1923	Chase opened its first foreign office in London.
1925	Chase purchased American Foreign Banking Corporation's foreign branches.
1921-1929	Chase merged with five New York banks (including *inter alia* the Metropolitan Bank and the Mechanics and Metals National Bank). Until then growth had been internal rather than through M&A.
1929	Chase Securities acquired a controlling interest in American Express.
1930	Chase merged with Equitable Trust, which had worldwide correspondent bank relationships and overseas branches.
1934	The Glass-Steagall Act (1933) – by separating investment from commercial banking – forced Chase to spin off Chase Securities and its major holding, American Express.
1942-1945	During World War II Chase was asked to bear part of the load in financing the involvement of US in the conflict.
1955	Chase merged with the Bank of Manhattan Company – which operated 58 offices in Queens and also the Bronx, Brooklyn and Manhattan – and changed its name to the Chase Manhattan Bank.
1960	The Omnibus Bank Act allowed opening suburban branches in New York state.
1965	Chase obtains its first national charter.
1969	David Rockefeller Chairman of the Board. Chase Manhattan Corp. is incorporated and Chase Manhattan Bank NA becomes its wholly-owned subsidiary.
1972	Willard Butcher becomes President.
1980	Willard Butcher becomes Chairman and Thomas G. Labreque becomes CEO. David Rockefeller retires.
1982	The Penn Square and Drysdale Securities debacles leave Chase with massive loan losses.
1990	Thomas G. Labreque becomes Chairman and Arthur F. Ryan becomes President.
1996	Chase merges with Chemical Bank. Walter Shipley of Chemical Bank becomes Chairman and Thomas G. Labreque becomes President.

Source: Notable Corporate Chronologies (Vol. 1); Detroit: Gale Research Inc. 1995.

Appendix 2: Forms of foreign bank presence

Form	Description
Representative office	This performs liaison activities for the parent. It has no separate legal identity and cannot make loans or take deposits. Banks may use representative (rep) offices to source loans or deposits that the bank then books in a branch elsewhere.
Agency	This is an integral part of the parent; it cannot fail unless the parent fails. An agency may make loans and has its own books, but it does not take deposits. Though host-country authorities may require an agency or branch (see below) to maintain a capital account, this has little meaning except as a device for limiting the branch's activities. Following the Basle agreements of 1975, home country supervisory authorities are responsible for prudential supervision of agencies and branches.
Branch	This too is an integral part of the parent. A branch may make loans or take deposits and has its own books. Banks generally use foreign branches for wholesale and corporate banking activities in host countries, including Treasury (foreign exchange and money market trading).
Consortium	This is an independent legal entity that several banks own jointly, generally with no one bank having a majority ownership. The parents typically establish consortia to share the risks and costs of engaging in ventures in areas (product or geographic) outside of their main activities.
Affiliate or Associate	This is an independent legal entity (i.e., locally incorporated) in which the foreign bank has less than majority ownership. Generally, foreign banks do not put their name on affiliates as that would suggest full responsibility for an entity over which they do not exercise full control.
Subsidiary	Like an affiliate, a subsidiary is separate legal entity incorporated in the host country, but one in which the foreign parent has majority ownership. A subsidiary may fail even though the parent is solvent. Conversely, a subsidiary may be solvent even though the parent has failed. Under the Basle agreements, host country supervisory authorities are responsible for prudential supervision of subsidiaries.

Note: Heinkel and Levi (1992) establish an empirical link between the legal form of a foreign bank's presence in a country and the activities that it undertakes. Of course, as Tschoegl (1981) has shown, frequently host country laws and regulations constrain the foreign banks' choices.

Appendix 3: Chronologies of Chase's international expansion

Table A3.1 – Chase's international expansion during the Concessionary Era (1914 – 1945)

Year	Country	Form[1]	Comment
1917	Various	*Consortium*[2]	*Chase helps form American Foreign Banking Corporation.*
1923	UK	Rep	London. Br 1930 - ex- ET.[4] Subsidiaries followed.
1925	Panama	Br	Panama City. Ex-AFBC.[3] All but one sold 2000; see text.
	Canal Zone	*Br*	*Cristobal. Ex-AFBC.[3] Sold 2000; see text.*
	Havana[4]	*Br*	*Ex-AFBC.[3] Closed 1960.*
1929	France	Rep	Paris. Br 1930 - ex-ET.[4]
	Germany	*Rep*	*Berlin. Closed due to outbreak of World War II.*
	Italy	*Rep*	*Rome. Closed due to outbreak of World War II.*
	Various	*Various*	*Chase acquired American Express but divested it in 1934.*
1930	*China*	*Br*	*Ex- ET.[4] Chase closed its 2 branches during the War.*
	Hong Kong	*Br*	*Ex- ET.[4] Closed during the War.*
	Mexico	*Br*	*Ex-ET.[4] Downgraded to Rep in 1934.*
1934	*Puerto Rico*	*Br*	*Closed 1998. See text.*

Notes: 1) Rep – Representative Office; Br – Branch. 2) Italics indicate an operation that Chase subsequently closed. 3) AFBC – American Foreign Banking Corporation. See text. 4) Equitable Trust. See text.
Source: Adaptation from Wilson (1986); Chase Manhattan Archives.

Table A3.2 – Chase's international expansion during the National Era (1945 – 1965)

Year	Country	Form[1]	Comment
1945	India	Rep	Bombay/Mumbai. Br 1994.
	Hong Kong[2]	*Br*	*Reopened immediately after the War but closed in 1951.*
	China	*Br*	*Chase re-opened its 2 branches but then closed them. See text.*
1946	*Egypt*	*Rep*	*Cairo. Closed in 1956 (Suez Canal Crisis and Arab-Israeli War).*
1947	Italy	Rep	Rome reopened. Milan branch in 1969. Others followed.
	Japan	Br	Tokyo. Chase entered to support the US Occupation forces.
	Germany	Br	Frankfurt/Main. Chase entered to support the US Occupation forces.
1948	Argentina	Rep	Buenos Aires. Branch 1991. See text.
1950	*Lebanon*	*Rep*	*Beirut. Br 1955. Closed – year unknown.*
1952	*Brazil*	*JV*	*Interamericana de Financiamento e Investimentos; Chase sold its participation in 1958*
1957	Venezuela	Rep	Caracas.
1958	Brazil	Rep	Rio de Janeiro.
1959	*South Africa*	*Sub*	*Chase sold its branches in 1965 to Standard Bank.*
	US V.I.	*Sub*	*Chase acquired West Indies Bank & Trust. Chase left in 1999.*
1960	Bahamas	Br	
1961	*Nigeria*	*Br*	*Lagos. See text.*
	Liberia	*Br*	*Monrovia. Sold 1965. See text.*
1962	Brazil	Sub	Banco Lar (51%). Eventually wholly-owned.
	Dominican Rep.	*Br*	*Santo Domingo. Closed c.1991.*
	Spain	Rep	Madrid. Br in 1979. Ssubs followed and were sold. See text.
	Venezuela	*Sub*	*Banco Mercantile y Agricola (51%). Sold 1980.*
1963	Thailand	Br	Bangkok. Ex NH.[3]
	Hong Kong	Br	Ex NH.[3]
	Singapore	Br	Ex NH.[3] In 1994 Chase closed its retail banking operations.
	Trinidad & Tobago	*Br*	*Port of Spain. More branches followed. Chase withdrew in 1980.*
1964	Malaysia	Br	Kuala Lumpur. 1994 changed to sub. See text.
	Switzerland	*Rep*	*Geneva. Closed c.1971.*
	Colombia	*Rep*	*Bogota.*
1965	Australia	Rep	Melbourne. Br followed. See text.
	Belgium	Aff	*Banque de Commerce. Wholly-owned 1978. Sold 1989. See text.*
	Lebanon	Rep	*Beirut. Re-entry. Closed 1985.*
	Peru	*Sub*	*Banco Continental. Nationalized 1970.*
	Various	*Aff*	*Chase acq. 15% of Standard Bank. Sold in 1975. See text.*

Notes: 1) Rep – Representative Office; Br – Branch; Aff – Affiliate; JV – Joint venture; Sub – Subsidiary. 2) Italics indicate an operation that Chase subsequently closed. 3) Nationale Handelsbank. See text.
Source: Chase Manhattan Bank Archives, Wilson (1986) & press reports.

Table A3.3 – Chase's international expansion during the National Era (1966 – 1975)

Year	Country	Form[1]	Comment
1966	*Austria*[2]	*Sub*	*Osterreichische Privat-und Komercial Bank. Sold 1993.*
	Honduras	Sub	Banco Atlantida. See text.
	Guyana	*Br*	*Georgetown. Nationalized 1985.*
	Rep. of Vietnam	*Br*	*Saigon. Chase left in 1975 with the US defeat.*
1967	*Colombia*	*Aff*	*Banco del Comercio. Nationalized 1987. See text.*
	Netherlands	*Aff*	*Nederlandsche Credietbank. Wholly-owned 1983. Sold 1988.*
	Rep. of Korea	Br	Seoul.
1968	*Argentina*	*Aff*	*Banco Argentino de Comercio. Sold 1991. See text.*
	Br. V.I.	*Br*	*Tortola. Chase withdrew in 1999.*
	Greece	Br	Athens. Sold 1998. Chase retained a rep office in Piraeus.
	Indonesia	Br	Jakarta. Retail banking operations sold 1992.
	Ireland	JV	Chase and Bank of Ireland. In 1979 Chase gains full control.
1969	*Australia*	*Con*	*Chase NAB. Sold 1984; see text.*
	Barbados	*Br*	*Bridgetown. Sold in 1986.*
	Dubai	*Con*	*Commercial Bank of Dubai. Sold in the late 1970s.*
	Yugoslavia	*JV*	*Chase participated in the formation of a development bank.*
1970	*Grenada*	*Br*	*Closed 1976.*
	Liberia	*Br*	*Closed 1987. Branches sold to 3 local banks.*
	Rep. Of China	Rep	Taipei. Branch 1972.
	St. Lucia	*Br*	*Castries. Closed in 1980.*
	UK	*Con*	*London. Orion Bank. Sold to RBC 1981. See text.*
1971	Bahrain	Br	Manama. OBU in 1976. Br closed 1991.
	Denmark	*Rep*	*Copenhagen. Branch in 1975. Closed 1992.*
	Seychelles	*Br*	*Affiliated w/ Standard Bank. Chase leaves c.1975.*
	St. Marten	*Br*	*Closed 1997.*
1972	*Guadeloupe*	*Br*	*Pointe-á-Pitre. Sold to Credit Martinique in 1987.*
	Guam	*Br*	*Agana. Closed c1987.*
	Martinique	*Br*	*Forte de France. Sold to Credit Martinique in 1987.*
	Monserrat	*Br*	*Plymouth. Closed 1977.*
	New Zealand	*JV*	*Chase NAB New Zealand Group; sold 1984.*
	Philippines	*Aff*	*Philippine American Investment; sold in 1983.*
	Channel Islands	Con	Standard and Chase Bank. Sub in 1979. See text.
	UAE	*Con*	*Commercial Bank of Dubai. Sold out by 1982. See text.*
	UK	*Con*	*London. Libra Bank closed in 1990. See text.*
	USSR	Rep	Moscow.
1973	Canada	Sub	Toronto.
	Cayman Is.	*Br*	*Closed 1995.*
	Germany	*Sub*	*Familienbank. Sold in 1979.*
	Luxembourg	Sub	
	Philippines	*Aff*	*Commercial Bank & Trust (30%); Sold in 1979.*
	Philippines	Rep	Manilla. OBU in 1977. Br in 1995.
1974	*Egypt*	*Rep*	*Cairo. Re-entry. Closed in 1986.*
	Iran	*Rep & Aff*	*Teheran. See text.*
	Monaco	*Br*	*Monte Carlo. Closed in 1988.*
	Switzerland	Rep	Geneva. Branch and subs followed.
1975	*Egypt*	*JV*	*Commercial International Bank. Sold 1987; see text.*
	Iran	*JV*	*Closed 1979 on Shah's overthrow.*
	Nigeria	*Aff*	*Chase Merchant Bank Nigeria Ltd. Taken over by government circa 1988.*
	South Africa	*Rep*	*Re-entry. Johannesburg. Closed in 1986. See text.*

Notes: 1) Rep – Representative Office; Br – Branch; Aff – Affiliate; JV – Joint venture; Sub – Subsidiary; OBU – Offshore Banking Unit branch; Con – Consortium. 2) Italics indicate an operation that Chase subsequently closed. Source: Chase Manhattan Bank Archives, Wilson (1986), & press reports

Table A3.4 – Chase's international expansion during the International Era (1976 to 1996)

Year	Country	Form[1]	Comment
1976	*Abu Dhabi*[2]	*Rep*	*Closed 1986.*
	Cameroon	*Rep*	*Sub followed. Closed or sold in 1987.*
	Ivory Coast	*Rep*	*Abidjan. Branch 1978. Closed c.1989.*
	Jordan	*Br*	*Amman. Closed 1986. See text.*
	Sudan	Rep	*Khartoum. Closed 1984.*
	Sweden	*Rep*	*Stockholm. Closed 1993.*
	Tunisia	*Rep*	*Tunis. Closed 1986.*
1977	Saudi Arabia	Aff	Saudi Investment Banking Company. Reduced involvement in 1987-8. See text.
1978	Chile	Rep	Santiago. Branch in 1979. Consumer bank sold 1993.
	Kenya	*Rep*	*Nairobi. Closed in 1985.*
	Netherlands	Rep	Amsterdam. Branch or Sub 1990.
1979	*Neth. Antilles*	*Br*	*St. Maarten. Closed 1997.*
	Paraguay	*Br*	*Asuncion. Closed 1986.*
1980	*Lima*	*Rep*	*Br in 1984. Closed in 1986.*
	Senegal	*Rep*	*Dakar. Closed 1985.*
1981	Portugal	Rep	Lisbon. Branch in 1984.
	PR of China	Rep	Beijing. Branches followed in Shanghai, Tianjin and Beijing.
1982	*Finland*	*Sub*	*Closed in 1987; Chase sold its subsidiary to PKbanken.*
	Pakistan	*Br*	*All branches sold in 1994. Chase retained a rep until 1999.*
	Uruguay	*Rep*	*Montevideo. Closed c1991.*
1983	*Ecuador*	*Rep*	*Quito. Closed c.1989.*
1984	*Australia*	*JV*	*Chase AMP. Sold 1992. See text.*
	Austria	*Br*	*Vienna. In 1993, downgraded to rep. Rep closed 1996.*
	Monaco	*Br*	*Monte Carlo. Closed 1992.*
	Oman	*Br*	*Muttrah/Muscat. Closed.*
	Turkey	Br	Istanbul.
1985	*Spain*	*Sub*	*Sold 1992. See text.*
	Norway	*Sub*	*Closed 1992.*
1987	*Nigeria*	*Rep*	*Lagos. Reported as branch in 1990. Closed 1996/7.*
1991	Egypt	Rep	Cairo. 2nd re-entry.
	Lebanon	Br	Beirut. 2nd re-entry.
1992	Czech Rep.	Rep	Prague.
	Romania	Br	Bucharest.
1995	South Africa	Rep	Johannesburg. 2nd re-entry.
	PR of Vietnam	Rep	Hanoi.
1996	Various	Various	Chemical Bank's acquisition of Chase brought with it several operations. See text.

Notes: 1) Rep – Representative Office; Br – Branch; Aff – Affiliate; JV – Joint venture; Sub – Subsidiary. 2) Italics indicate an operation that Chase subsequently closed.
Source: Chase Manhattan Bank Archives, Wilson (1986), & press reports