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Globalization, Post-Fordism and the Contemporary Context of Development

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abstract: This article examines the claims that we are living in a new, global, post-Fordist era. The claims of both globalization and post-Fordism are examined, as well as some of the implications for development. Both theses are questioned, and in particular it is argued that in some respects the two arguments contradict rather than complement each other. An alternative approach is put forward, focusing on the contemporary context for development in the global economy, critically using the notion of global commodity chains. It is argued that we are currently witnessing a variety of strategies of capital accumulation in the world economy, and insofar as generalizations can be made, we have witnessed the end of the Third World as a homogeneous block. While some formerly peripheral countries are now a constituent part of the world economy, others are marginal to its needs. These countries are not so much exploited as simply left out.

keywords: flexibility ✦ globalization ✦ nation-state ✦ post-Fordism ✦ uneven development

Introduction

It is often argued that we are living in new times. Much emphasis is placed on a 'post-Fordist, globalized' world, which has certain implications for the 'less developed countries'. This article examines both the globalization and post-Fordist theses, and draws out the implications of the arguments for analysis of the developing world. It argues that advocates of both post-Fordism and globalization overstate their claims, and that in fact the two

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theses sometimes contradict each other. Section 1 examines the globalization thesis, and Section 2 investigates post-Fordism. Section 3 then shows the weaknesses and contradictions of the theses, and Section 4 suggests an alternative approach, which accepts some contentions of both theses but suggests that there is greater variety to the diverse methods of capital accumulation currently being employed in the world economy. I then relate this argument to an analysis of the contemporary context of development. A case is made that the persistence of uneven development in the world economy is likely to leave certain parts of the world in a position of competitive advantage over others, but also that we cannot talk about a unified Third World block of countries.

1. The Globalization Thesis

The globalization thesis[1] contends that we now live in a world economy dominated by transnational corporations (TNCs), that invest wherever they like in a footloose manner. According to Kenichi Ohmae (1993: 78), the nation-state 'has become an unnatural, even dysfunctional unit for organizing human activity and managing economic endeavour in a borderless world'. There are now some 40,000 parent firms, with 250,000 foreign affiliates operating in the world economy (UNCTAD, 1995: xx). In the early 1990s, the combined sales of the world's largest 350 TNCs totalled nearly one-third of the combined GNPs of the advanced capitalist countries (*New Internationalist*, 1993: 18). Trade between two or more branches of the same parent company now constitutes around one-third of all world trade (UNCTAD, 1994: 87). TNCs thus have considerable leverage over nation-states, as they can for instance transfer price to avoid high national rates of taxation, or threaten states with removal of investment.

Optimistic globalization theorists argue that the growth of the stateless corporation is both inevitable and desirable. Ohmae (1991) argues that all nations can benefit from the opportunities of global market forces as counterproductive state regulations are undermined. Capital investment will be free to roam to areas of capital scarcity and thus promote development, as in the case of the East Asian newly industrializing countries (NICs) (*The Economist*, 1994).

Pessimists, on the other hand, argue that globalization highlights the unevenness of development in the global economy. Although mobile capital may take advantage of cheaper labour in the Third World, and thereby promote industrialization, the form that this industrial development takes is not very desirable. It is based on low value production, and the 'super-exploitation' of workers in the Third World (Frank, 1981). Nation-states are forced to lower standards, such as working conditions and wages, in order to attract investment. Thus, for example, export-processing zones are established to attract foreign investment through low wages, union restrictions, tax holidays and few regulations over capital. The rise of the East Asian NICs has sometimes been explained as a product of the relocation of first world capital to lower wage areas (Peet, 1987).

For the advanced capitalist states, the results of globalization are said to be similarly unfavourable. The relocation of capital to lower cost areas is said to have led to deindustrialization and unemployment in the metropolitan countries (Peet, 1986). So, for example, about 30 percent of the US trade deficit with East Asia (including Japan) is due to US firms making goods in that region and then selling them in the US market. In the mid-1980s, US firms accounted for the same proportion of world exports as in the mid-1960s (18 percent), but the US territorial economy's share of world exports fell by one-quarter over the same period (Agnew, 1995: 230). Thus, in order to compete in the world economy, First World countries will have to downgrade their economies in terms of labour costs and conditions – a point implicit in the British Conservative government's opposition to the European Social Chapter. Pessimists therefore argue that capital mobility and free trade will promote low wage exploitation of the Third World and sustained unemployment (or declining standards) in the First (Lang and Hines, 1993; Williams et al., 1995).

Although optimistic and pessimistic accounts of globalization disagree about the implications, they do share the view that the increasing power of TNCs has given rise to a new, global economy in which the nation-state has been undermined, and may even be an anachronism (Harris, 1994).

2. Post-Fordism and Flexibility

The claim that we are living in a post-Fordist era is also based on the argument that we have entered a new period of capital accumulation, and in particular that work has come to be organized in new ways. The period from 1945 to 1973 has been called the era of 'high Fordism' (Harvey, 1989: 129–33), based on the mass production of standardized products, in which workers were allocated strictly demarcated tasks, and in which they utilized specialized machinery for each particular product – or part of a product (Dicken, 1992: 116). This system of production focused on the national market, which was usually protected from foreign competition, but there was considerable scope for competing in world markets, and for foreign investment in overseas markets. Within this system of production, 'The economies came from the scale of production, for although mass production might be more costly to set up because of the purpose built machinery, once in place the cost of an extra unit was discontinuously cheap' (Murray, 1989: 39). In this period, industrial development in the

Third World was highly uneven. However, the strategy of import substitution industrialization was largely compatible with Fordist ideals in that it stressed the developmental potential of industrialization through large-scale, capital-intensive technology serving national markets (McMichael, 1996: 40).

From the late 1960s onwards tensions in the system intensified. Social unrest and labour militancy took place in the context of growing international competition, declining US economic power, the rise of Japan, falling rates of profit and the effective collapse of postwar international economic agreements. The Bretton Woods system of fixed exchange rates was effectively abandoned from 1971–3, when the USA devalued the dollar against the price of gold, and in 1973–4 the world price of oil nearly quadrupled. The 1970s and 1980s therefore saw a marked slowdown in growth and periodic and widespread recession.

This was the context in which new experiments in industrial organization were implemented. The keyword that encapsulated these diverse experiments was *flexibility*.[2] Flexible production

> . . . refers to forms of production characterized by a well-developed ability both to shift promptly from one process and/or product configuration to another (dynamic flexibility) and to adjust quantities of output rapidly up or down over the short run without any strongly deleterious effects on levels of efficiency (static flexibility). (Storper, 1991: 107)

These forms of production may involve one or more of the following: flexible technologies; flexible relationships between core firms and suppliers; and flexible organization of the labour process.

Flexible technology will usually involve the use of computer-aided manufacturing which is directed towards diverse specifications. Thus, 'what the machine actually *does* is programmed in via computer software rather than built into the machinery at the outset.' (Schoenberger, 1988: 252). Such practices can be seen in the case of retailing, where market leaders have developed a computerized system (the 'barcode') to overcome the problems of underproduction (leading to loss of market share) and overproduction (leading to too much stock). Through computerized accounting of stocks in the shops, leading retailers can eliminate the problem of market uncertainty, thus allowing them to order (or produce) supplies which coincide with demand (Murray, 1989: 42–3). Such technology also allows retailers to cater to the niche market, specializing in certain fragmented markets on the basis of age, income, occupation and so on. Thus in this case, 'the Fordist priority on mass production based on economies of scale has given way to economies of scope, cost savings based on producing a variety of products or services in small – even one of a kind batches' (Malecki, 1991: 236).

Thus flexible technology also presupposes a change in the relationship between core firms and suppliers. The Japanese automobile company Toyota has attempted to implement the 'retail model' to its system of supplies, so that they are ordered on the basis of daily need, and components are produced on the day that they are assembled. This has enabled the company to speed up the passage of products through the factory system and eliminate waste in the process. This 'just-in-time' system is based on producing according to actual demand, and thereby cutting down on wasteful production time (Schoenberger, 1994).

These changes in turn lead to the need for a more flexible labour force. Flexible labour can refer both to the skills utilized by a small proportion of the workforce and the extended division of the labour market into core and periphery. As regards the former, the Toyota system developed a core of multiskilled workers able to undertake a number of tasks and whose shopfloor knowledge is utilized by management to promote continuous improvement in the production process. These core workers are therefore granted a job for life, are continuously trained, and paid according to seniority (Kenney and Florida, 1988). There is a marked shift away from the rigid division of labour of Fordism 'since it is characteristic of the flexible labour process that the same labourers who are involved in operating the machines will also be responsible for changing the settings of machines and for routine functions of maintenance and repair' (Kaplinsky, 1989: 15).

On the other hand, the maintenance of a core of privileged workers coexists with an increase (compared to Fordism) in the size of the secondary labour market. As Murray (1989: 46) states, 'The cost of employing lifetime workers means an incentive to subcontract all jobs not essential to the core. The other side of the Japanese jobs-for-life is a majority of low-paid, fragmented peripheral workers, facing an underfunded and inadequate welfare state.' Under the Toyota system, most manufactured inputs are not produced by the end producer but by formally independent supplier firms. Toyota developed a hierarchical system of supply networks, with (in 1988) around 230 first-tier suppliers, who subcontracted work to around 5000 second-tier suppliers, who in turn were supplied by around 20,000 third- and fourth-tier suppliers (Ruigrok and van Tulder, 1995: 53). Profits tend to decline the lower one's place in the hierarchy.

This scenario stresses how smaller firms in Japan have been marginalized by core firms. Other writers (Piore and Sabel, 1984) have argued that the new era of flexibility presents new opportunities for such firms. Over the past 20 years, small firms in the Emilia-Romagna region of Italy have established a competitive position in world markets in shoes, leather goods, furniture, musical instruments and in the machinery which makes these products (Humphrey, 1995a: 1). The Italian experience of *flexible* *specialization* is based on the development of a cluster of small firms, spatially concentrated and sectorally specialized, developing forward and backward linkages such as exchange of goods, information and people, and supported by local government institutions (Humphrey, 1995a: 1; Rasmussen et al., 1992). The basic idea is that 'clusters of predominantly small firms can gain economies of scale and scope by increased flexibility through specialization and interfirm cooperation' (Humphrey, 1995a: 1).

The Toyota system and flexible specialization are regarded by some writers as potentially viable strategies for industrial producers in the post-Fordist world. Toyotaism (Wood, 1991) thus becomes *Japanization*, a strategy of generalizing the Toyota system to all sectors of the economy (including services and agriculture) in all countries (Womack et al., 1990). Similarly the Italian industrial district becomes a model for other countries to follow (Piore and Sabel, 1984).

Clearly then, there are important differences between different schools of thought over the desirability (or otherwise) of the post-Fordist future. But they are united in the belief that we have entered a new period of capitalism based on flexible accumulation. This can be said to have contradictory implications for the developing world. On the one hand, the utilization of small industries and/or new forms of flexible organization within the workplace can provide some countries with a potential competitive advantage over more established industrial producers. Thus, Sabel (1986: 43) has argued that the informal sector in the Third World can potentially become more competitive as it can flexibly move from the production of one product to another. On the other hand, the development of new technologies is more likely to maintain a hierarchy of production whereby the First World (and the most successful NICs) continues to focus on higher value production, while the rest of the world lags behind in terms of productivity and hence competitiveness (Sivanandan, 1990: 169–95). Moreover, the growing utilization of Japanese management techniques is likely to lead to a reinforced agglomeration of production, as manufacturers and suppliers locate within close proximity of each other (Kaplinsky, 1982).

3. Globalization and Post-Fordism Assessed

This section examines the claims made for both globalization and post-Fordism. I start by pointing out some of the problems with the post-Fordist thesis, and then show the problematic relationship between post-Fordist and globalization analyses. I then move on to examine the empirical evidence for the claim that capital has moved beyond the nation-state, and show the problems with this contention.

3.i Post-Fordism: Problems and Inconsistencies

The main weakness of the claim that we are living in a post-Fordist era is the lack of clarity of analysis, and in particular whether a model of post-Fordism is analytical or prescriptive. It is, for instance, far from clear that Japanese management techniques can easily be transported to different social environments, or indeed whether there is a clearly identifiable, homogeneous form of management within Japan itself (Elger and Smith, 1993b). Humphrey (1995b: 151–2) warns us that models can easily abstract from specific social contexts, and thus lack clarity over what is, and is not, vital to the content of a posited model. In the case of the Toyota system, the innovations in the labour process were introduced in the specific context of the defeat of radical unions in postwar Japan, a resultant systematic drive by the company to intensify work and dominate the local labour and supplies markets, and a limited market in the postwar period (Elger and Smith, 1993b: 40; Dohse, 1985; Chalmers, 1989). Even optimistic analyses such as Humphrey's (1993), in examining the transfer of Japanese techniques to Brazilian industry, has conceded that such practices are the exception rather than the rule.

The case of the Italian industrial district model suffers from similar shortcomings. It is particularly questionable that the proliferation of small firms in the advanced capitalist countries constitutes the development of a dynamic small business sector. Instead, it could be argued that the growth of small industry is the product of the vertical disintegration of large firms, which maintain control through contracting out lower value-added work to small enterprises (Murray, 1987: 92–3; Amin and Robbins, 1990). This point has important implications for potential late industrializers in the periphery as well as small businesses in the First World, as discussed later.

Most important for our discussion, however, is the relationship between the concepts of globalization and post-Fordism. Clearly some writers see the two as closely connected, arguing that a hyper-mobile capital operating on a global scale is a constituent part of the move to a post-Fordist era (Urry, 1989: 97–8). However, it is far from clear that post-Fordism entails a move to footloose corporations – *in many cases it implies the very opposite, as capital locates in areas of close proximity to both supplier and final market.* Therefore, capital may not take advantage of lower labour costs in the Third World, and may be more concerned with market access, suppliers, labour skills and so on.

The global automobile industry provides a telling example. US companies such as Ford and General Motors initially responded to Japanese competition through a 'world car' strategy. This entailed production for the world market, transnationally integrated so that manufacturing would relocate to low cost locations (Gwynne, 1991: 65). Thus, for instance

General Motors' Chevette model was produced in the USA, Germany, Britain, Japan, Australia, Brazil and Argentina (Hill, 1987: 27). This strategy therefore relied heavily on foreign investment. The Japanese strategy, on the other hand, is based on a closely integrated system of supplier networks, relying on inventory saving techniques and faster turnover time. Thus, rather than competing through global economies of scale and low cost labour, Japanese companies have relied on flexible, automated plants with close relations between suppliers and manufacturers.[3] This strategy lacks the advantage of lower labour costs, but it avoids the problem of coordinating a massive flow of goods from around the world and the need for large stockpiles of security against easily disrupted production lines (Hill, 1987: 30). Thus, historically, Japanese direct foreign investment (DFI) in automobiles has been low, and the increase since the early 1980s has largely occurred in response to protectionist threats, rather than the attraction of cheap labour. Moreover, all the Japanese automobile companies continue to invest more at home than abroad (Dicken, 1992: 290). Just as significantly, European and US producers are now attempting to adopt Japanese methods, thus increasing the tendency to agglomerate in established areas of production.

Tensions therefore exist between the globalizing tendencies of TNCs and post-Fordist forms of industrial organization. These tensions are rarely captured in analyses of either concept.[4] This has important implications for analysing globalization, and the contemporary context of development.

3.ii Globalization: Evidence and Counter-Evidence

There is evidence that points to an increase in globalizing tendencies in recent years. Among OECD countries, the ratio of exports to GDP increased from 9.5 percent in 1960 to 20.5 percent by 1990; DFI flows grew three times more quickly than trade flows and almost four times faster than output in the 1980s (Wade, 1996a: 62–3). Tariffs in First World countries have declined from an average of 25 percent in 1950 to less than 5 percent in the 1990s (Wade, 1996a: 69). Under pressure from the World Bank and International Monetary Fund, governments in the Third and former Second Worlds have opened their economies and reduced restrictions on foreign investment. Nevertheless, it is one thing to recognize these changes; it is quite another to draw the conclusion that capital can simply bypass nation-states in a new global era.

In fact, the evidence points to the maintenance, and indeed the *intensification* of uneven development in the global economy. From 1991 to 1993, developing countries (including the NICs) received around 31 percent of the total global stock of DFI. This investment was concentrated in particular regions – Africa received 1.7 percent of the world total; Latin

America and the Caribbean 9.8 percent; West Asia 0.8 percent; and East, South and Southeast Asia 18.8 percent (UNCTAD, 1995: 12). Just ten nations accounted for 68 percent of DFI in the Third World in the early 1990s (*New Internationalist*, 1993: 19) – Singapore, Mexico, Brazil, China, Hong Kong, Malaysia, Egypt, Argentina, Thailand and Taiwan. Most foreign investment is therefore concentrated in the already developed countries, or in the NICs of the former Third World, despite the fact that labour costs are far lower in parts of Africa or Asia. The share of DFI made by First World TNCs in the Third World has actually fallen in recent years – for instance, from 27 percent (1975) to 19 percent (1984) for West Germany, from 73 percent to 52 percent for Japan, and from 19 to 16 percent for Britain (Jenkins, 1992: 35). The rise of East Asia is often cited as evidence for footloose capital relocating from the First World, but from 1989 to 1991, only 6 percent of the USA's and 13 percent of Japan's outgoing DFI went to the whole of Asia (Griffin and Khan, 1992: 23).

Moreover, for most TNCs foreign investment continues to be less important than domestic investment. Of the top 100 firms in the world in 1993, only 18 kept the majority of their assets abroad (Wallace, 1996: 24). In 1993, German manufacturing TNCs sold 75 percent of their goods at home; Japan 75 percent and the USA 67 percent. For the same year, 93 percent of Japanese TNC manufacturing assets were held domestically; for the USA the figure was 73 percent and even in Britain the figure was 62 percent. In services the figures showed a similar pattern (Hirst and Thompson, 1996: 96). Moreover, most of the assets and sales of the TNCs outside their home country is in other First World countries, and not in the developing world. In the early 1990s, the stock of US capital invested abroad equalled 7 percent of GNP – slightly *less* than the figure for 1900 (Wade, 1996a: 72).

Global trade patterns suggest a similar picture to that of investment. The share of Africa, Asia and Latin America in world trade has gradually declined: Latin America's share of world exports has decreased from 12.4 percent in the 1950s to 3.9 percent in 1990; Asia's from 17.8 percent in 1980 to 14 percent in 1990; and Africa's from 5.2 percent in 1950 to 1.9 percent in 1990. The developing world as a whole has increased its global share of exports, but this is largely accounted for by the rise of the four first-tier East Asian NICs, who together produce around half of the total manufacturing exports originating from the 'Third World' (Glyn and Sutcliffe, 1992: 79, 90–1).

The share of trade in the GDPs of the most successful First World economies remains comparatively small. Exports account for less than 12 percent of the GDPs of the USA, Japan and Europe – lower than it was on the eve of the First World War. Thus, around 90 percent of these economies are based on production for the domestic market (Wade, 1996a: 66).

Moreover, much of the DFI in the world occurs *because of, and not despite the state*. Although tariffs have been reduced among First World nations, significant trade barriers remain in place, such as 'voluntary agreements', anti-dumping restrictions, import quotas, national production standards and subsidies. Much of the DFI between First World countries is intended to avoid trade barriers, and much of the DFI in the Third World is intended to capture unutilized quotas for access to First World markets (Wade, 1996a: 69).

On the whole, then, the evidence points to the *concentration* of capital in certain parts of the world, rather than its dispersal throughout the globe. While some data point to the relative improvement for the developing world as a whole, such figures show the inadequacy of the concept of the Third World, and hide the impressive performance of a select few countries, particularly the East Asian NICs. But even these undermine the strong globalization thesis because their industrial success can hardly be explained by reference to the relocation of footloose capital. In fact, the success of South Korea and Taiwan was largely led by local capital in alliance with the state.[5] Although foreign capital played a more active role in Singapore, and the state was less visible in Hong Kong, in both cases government played a critical role, through investment in the former and subsidies in both cases.[6]

The optimistic globalization thesis, whereby different parts of the world compete equally through the exercise of comparative advantage, remains unconvincing. But so too does the pessimistic view which argues that capital will leave the First World and take advantage of cheap labour in the Third World.

4. The Contemporary Context of Development

So far, then, I have suggested that the globalization thesis is particularly weak and cannot account for the direction of capital flows in the world economy. The direction of these flows suggests that there may be strong reasons for capital concentrating in the First World and selected parts of the former Third World. This observation could possibly support the post-Fordist claim that capital is likely to locate close to the final market. But I have also suggested that the post-Fordist thesis at best lacks clarity, and tends towards prescription rather than analysis. This section attempts an alternative analysis, which is sensitive to the changes in the world economy in terms of globalization and industrial organization, but which attempts to avoid the oversimplifications of both theses. Two factors are examined: the global hierarchy of production and the role of the nation-state, and I draw on this discussion to show the utility of an analysis rooted in the existence of 'global commodity chains' (Gereffi and Korzeniewicz, 1994).

4.i Global Hierarchies of Production

Capital has continued to concentrate in certain parts of the world at the expense of others. In terms of domestic investment and composition of board of directors, TNCs continue to remain loyal to their country of origin. The strong globalization thesis exaggerates the mobility of productive capital,[7] and therefore the degree to which it has been, and can be, transferred to areas of low labour costs. Capital faces a number of sunk costs, which constitute significant barriers to exit. As Wade (1996a: 80–1) points out:

> These include initial start-up costs, the costs of learning over time about a particular environment, and the costs of building reputation, gaining acceptance among government, employees, and other firms regarding their reliability as producers, employers, and suppliers in each market.

Experiments in Japanese production techniques, and the volatility of markets for some goods, has reinforced the tendency towards agglomeration. Of course, as I warned in the previous section, such techniques may not be as generalized as is often claimed, but the important point is that some company officials are acting as though a Japanese model existed, and so are actively promoting local agglomeration. Thus, *given a situation in which there has been some movement towards a global free market, capital will not behave in a particularly footloose manner*. Instead, capital will accumulate in some areas and marginalize others and, given the advantages enjoyed by established producers (plus the more successful NICs), it is most likely to accumulate in these regions. These advantages include research and development in new technology, infrastructure, skills and established markets.

We are therefore witnessing a situation in which capital is not exploiting the so-called Third World, it is marginalizing it. One is reminded of Marx's dictum (see Kay, 1975) that if there is one thing worse than being exploited, it is (in capitalist terms) *not being exploited*. In practice, some parts of the old Third World are important recipients of capital investment. Strategic countries 'act as nodes in the trade and investment circuits reaching out from the key First World states' (McMichael, 1996: 107). Thus, China, Mexico, South Korea and Indonesia, for example, are favoured recipients of investment, due to the size of their domestic markets, and their proximity to other large, relatively affluent markets. Regionalism is thus compatible with a selective movement towards post-Fordism, as close proximity to suppliers and markets may not occur within a nation-state.

However, this concentration of capital does not occur in all industrial sectors. Particularly in labour-intensive sectors, there has been some relocation of capital in accordance with the globalization thesis. In sectors such as clothing, textiles and electronic assembly fixed costs are not too high as technology is not very advanced, and so capital is far more mobile. Labour costs constitute a higher proportion of total costs in these sectors, and so cheaper labour in the periphery can be an advantage. Those who advocate the globalization thesis, both on the left and right of the political spectrum, have pointed to the growth of the afore-mentioned export-processing zones. The left argue that such zones facilitate the global expansion of the super-exploitation of labour, while the right regard these zones as the place where a country's comparative advantage may be secured (Frank, 1981; Little, 1981). But in fact the 200 or so zones operating in 50 countries employ only around 2 million workers, although this figure does not include the special economic zones in China (Gereffi and Hempel, 1996: 22). Employment in the zones rarely accounts for more than 5 percent of total industrial employment within individual countries, and in most cases less than 10 percent of total manufactured exports originate from the zones. Moreover, local capital is just as likely as foreign capital to be used in these zones (Jenkins, 1987: 132). Thus, the globalization thesis whereby mobile capital invests where labour costs are lowest applies only to a few industrial sectors.

Moreover, even in these cases, TNC investment is more complex than that allowed for by the cheap labour hypothesis. *Local* factors are also important. For instance, Nike, the market leader in the athletic footwear industry, draws on manufacturing subcontractors[8] in East Asia. In recent years, this has included China, where labour costs are particularly low. This strategy is not without its problems however, as 'The advantages of lower labour costs in the developing manufacturing areas had to be weighed against disadvantages in production flexibility, quality, raw material sourcing and transportation' (Korzeniewicz, 1994: 259). The development of new model specifications took four months in South Korea, where labour costs are higher, compared to eight months in China; South Korea resourced 100 percent of its raw materials compared with only 30 percent in China; and shipping time from South Korea was 20 to 25 days compared to 35 to 40 days from Shanghai (Korzeniewicz, 1994: 259).

Moreover, technological change (such as automation of cutting), changes in market structure and lower labour costs and few regulations have encouraged continued production of clothing in the First World. In particular, higher value, fashion-oriented niche market products may well continue to be made in the First World, while lower cost products may be made in cheaper labour areas (Gereffi, 1994b: 110–11). But there are significant exceptions to this rule, as many designer labels are 'basically a device to *differentiate* what are often relatively similar products' (Dicken, 1992: 246). On the other hand, companies using cheaper labour may not rely on the very cheapest labour, but instead draw on labour which is both cheap and skilled, and from those countries which have developed infrastructures, suppliers and transportation.[9] The importance of these factors show that local initiatives, and in particular the role of the state, remain important.

4.ii The Role of the State

As already argued, the success of the East Asian NICs cannot be explained as a product of the globalization of capital. Particular, contingent, international factors were important, such as geographical location (Hong Kong and Singapore), high levels of aid and relatively open access to the lucrative US market (South Korea and Taiwan). But as important was the role of the state in directing local capital into particular sectors, including heavy and high-tech industries (Amsden, 1989; Wade, 1990), and protecting local capital from foreign competition through subsidies, import controls and restrictions on foreign ownership. Such practices were (and are) too commonplace for the World Bank's position that state intervention was irrelevant to South Korea's success (World Bank, 1994; criticized in Kiely, 1998: Ch. 8). In many Third World countries state intervention has been inefficient, but the World Bank makes the far stronger (and unconvincing) claim that it is *necessarily inefficient*. The Bank, along with neoliberal theorists more generally, can be described as optimistic globalizers who believe that the globalization of production and markets will promote a level playing field in which all countries can equally benefit. As the previous data make clear, the 'global marketplace' does not exist, and 'late developers' face the prospect of unequal competition with established producers, both in their domestic economy – and thus the potential devastation of domestic capital faced with cheaper imports – and in breaking into new markets in the global economy (Kiely, 1994). The effectiveness of state intervention in South Korea and Taiwan is not easily replicated, as it rested on a particular history and social structure such as the elimination of unproductive agrarian classes, the development of nascent capitalist classes under Japanese colonialism, and a militarization of society (Kiely, 1998: Ch. 7). However, the point is that these too are local factors (albeit interlinked with global ones), and that, given the hierarchies that exist in the global economy, it is unlikely that potential later developers can do without state economic intervention.

These points are of increasing relevance in the era of flexible accumulation. Even optimistic accounts of the new opportunities for late developers recognize the need for the diffusion of new technology and the development of an appropriate infrastructural base, including skilled labour (Hoffman and Kaplinsky, 1988: 334–5). But, while these requirements are not an impossibility, neither are they an inevitability. Even if the technology can be acquired on competitive terms from abroad, many local capitalists are likely to attempt to remain competitive through the maintenance of low wages rather than introduce the new technology. A local infrastructure may also be developed, but this is an expensive and time-consuming process, and so construction may take too long, especially given the agglomeration tendencies associated with flexible accumulation outlined earlier. It is for these reasons that a developmental state along South Korean lines is crucial but, as I have argued, the success of this state rested on specific, contingent social factors. The growing liberalization of many peripheral economies undergoing structural adjustment programmes militates further against the development of such states. Moreover, in many cases current potential developers face less open access to First World economies than either South Korea or Taiwan in the 1960s and 1970s (Cline, 1982).

4.iii Global Commodity Chains

A commodity chains approach is one fruitful way of analysing the hierarchies of production in the global economy.[10] Hopkins and Wallerstein (1986: 159) define a commodity chain as 'a network of labor and production processes whose end result is a finished commodity'. A global commodity chain links such processes at a global level. Gereffi (1994a: 219) distinguishes between two kinds of commodity chains. *Producer*-driven chains operate where the site of production is relatively immobile, and tend to agglomerate within established areas of accumulation. In such cases

> . . . manufacturers making advanced products like aircraft, automobiles and computer systems are the key economic agents in these producer-driven chains not only in terms of their earnings, but also in their ability to exert control over backward linkages with raw material and component suppliers, as with forward linkages into retailing.

The second, *buyer*-driven commodity chains are characterized by more mobility as production is labour intensive and therefore more likely to take place in the Third World. However,

> . . . these same industries are also design and marketing-intensive, which means that there are high barriers to entry at the brand name merchandising and retail levels where companies invest considerable sums in product development, advertising and computerized store networks to create and sell these items. Therefore, whereas producer-driven commodity chains are controlled by core firms at the point of production, control over buyer-driven commodity chains is exercised at the point of consumption. (Gereffi, 1994a: 219)

While recognizing the utility of the commodity chains approach, one should be careful not to assume that the world is composed of all-powerful TNCs simply deciding what role particular parts of the world play in the network of chains linking the global economy. In fact, nation-states can play a crucial role in upgrading (or indeed downgrading, as in the case of Britain) the kind of production undertaken within its still important borders.

This approach also undermines the optimistic claims of the flexible specialization school. As shown in Section 2, this perspective puts forward the view that competitiveness can be reared through the development of small-scale, autonomous local industries. While this article has been critical of the strong globalization thesis, I recognize that simply wishing away global actors is even less useful. The global commodity chains framework correctly recognizes the proliferation of small industries in some sectors, but unlike the flexible specialization thesis, it also recognizes that such industries are often in a subordinate relationship to large TNCs, the latter of which are happy to contract out some production activities while they maintain ultimate control.

Conclusion

Four key points can be made by way of conclusion.

1. Post-Fordist methods of work organization are not compatible with the strong globalization thesis. In fact the former implies the increasing localization of production, as companies locate close to suppliers and final markets.
2. Post-Fordism has been unevenly implemented, both across and within economic sectors. For example, the automobile industry has combined Fordist (world car) and post-Fordist (Japanese techniques) strategies. The same is also true in the clothing sector, where cheap labour is a factor in a labour-intensive industry, but so too are labour skills and close proximity to what is sometimes a highly volatile market. Thus, Fordist methods, which persist to this day, are more compatible with the globalization thesis, but even here there are some definite limits. Capital investment in the former Third World is often concerned with market access in nation-states which continue to protect national production – and so the state is far from being an anachronism. Moreover, there remain strong incentives to maintain investment in established areas, which monopolize skills, markets and marketing, and have the most advanced infrastructures and research and development facilities. Hence, TNC investment still largely concentrates on production for home markets, and direct foreign investment focuses on the First World and selected former Third World countries.

3. We are therefore witnessing a diversity of methods of capital accumulation in the world economy. Rustin (1989: 305) rightly argues that 'What seems to be emerging is not one "progressive" mode of information-based production, but a plethora of co-existing and competing systems, whose ultimate relative weight in the system is impossible to predict.' However, both Fordist and post-Fordist methods show the limits of the globalization thesis, and whatever the strategy, development prospects for the former Third World occur in the context of a global hierarchy of production. There remains room for specific nation-states to alter their position in this hierarchy, as the East Asian states showed. Of course the rules of the game change over time, and state capacity in parts of the periphery is extremely limited, but this shows that the context of development is influenced by a mixture of both global and local factors, and not just the former.
4. Nevertheless, the tendency today is towards an increase in global hierarchies, and the maintenance/intensification of uneven development. Without significant countervailing factors – both local and global – this trend is likely to continue.

Notes

1. The main focus of this article is on the globalization of production. In this section the 'strong' globalization thesis is outlined. My critique in Section 3 qualifies this strong thesis, while pointing to some areas in which the globalization thesis is convincing. Some brief reference is also made to the globalization of financial capital.
2. Following Harvey (1989: Ch. 9), I use the term 'flexible accumulation' (or flexible production). Although this term is more vague than some phrases used to describe the new era, it has the advantage of being a 'catch-all' category, which in turn can recognize the changes that have occurred in capital accumulation, but at the same time can problematize some of the more sweeping arguments made concerning post-Fordism.
3. Economies of scale in Japanese automobile plants remain important, however. Assembly plants have an optimum run of 250,000 units per year, although the specific model optimum may be lower (Dicken, 1992: 282).
4. Exceptions include Bernard (1994) and Wade (1996a).
5. See further White (1988), Wade (1990) and Kiely (1994). Contrary claims can be found in World Bank (1994), and the pronouncements of Chris Patten, Governor of Hong Kong. These views are criticized by Amsden (1994), Kwon (1994) and Kiely (1997: Ch. 8). Also interesting is Wade (1996b).
6. See further Rodan (1989), Schiffer (1991) and Kiely (1997: Chs 7 and 8).
7. Financial capital is undoubtedly more globalized. In September 1992, the daily turnover in currency trading was US$900 billion a day. This has had enormous effects on the ability of governments to control exchange rates, as the British government, among others, has found to its cost, in the 1990s. However, even

in finance there are limits to globalization. As Wade (1996a: 73–4) points out, stock markets are far from fully integrated, because few companies have a sufficiently global reputation for trading outside their home market. Moreover, in First World countries domestic saving and investment rates are highly correlated.

8. The use of subcontractors by TNCs is important, and one that figures on DFI cannot account for. However, the small amount of First World imports originating from Third World countries shows that investment within the First World remains far more important.
9. These points can also be applied to the semi-conductor and electronics industries (see Henderson, 1989: 154–65).
10. The global commodity chains approach has its origins in the world-system school associated with Wallerstein. It therefore potentially replicates the weaknesses of this approach – its ahistoricism, lack of sensitivity to the ways in which 'the system' can be changed, and its tendency to describe rather than analyse (Kiely, 1995: Ch. 3). However, by giving due weight to local actors, particularly classes and the state, and the potential for change, these problems can be overcome.

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