International division of labor

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For much of the eighteenth to mid-twentieth centuries, commodity production within the global economy took on distinct geographic patterns. Manufactured goods and producer services were largely built and assembled in industrialized economies such as the United Kingdom, France, and the Netherlands. Many of these products were traded with other industrialized economies and surpluses were sold to nonindustrialized economies, many of them colonies. Raw materials and agricultural products were in turn extracted from these nonindustrialized economies, giving rise to a phenomenon known as the "old" international division of labor. The very notion of international division exemplifies an a priori conception of economic production and consumption as intrinsically transnational. It exemplifies, specifically, an a priori conception of *labor power interdependence* between different parts of the world.

This interdependence changed during the mid- to late 1970s as firms in industrialized economies embarked on vertical disintegration and relocated production processes – particularly labor-intensive manufacturing – to developing economies. In a highly influential book, *The New International Division of Labour*, the German social scientists Folker Fröbel, Jürgen Heinrichs, and Otto Kreye (1980) outline key tenets of this process, now widely known as the "new international division of labor" (hereafter NIDL). To Fröbel, Heinrichs, and Kreye (1980, 45), NIDL is a tendency which:

1. undermines the traditional bisection of the world into a few industrialized countries on one hand, and a great majority of developing countries integrated into the world economy solely as raw material producers on the other; and
2. compels the increasing subdivision of manufacturing processes into a number of partial operations at different industrial sites throughout the world.

From a *longue durée* perspective of world economic history, NIDL is not exactly novel. As the renowned economic historian Andre Gunder Frank (1977, 2096) puts it, the accelerated and profound transformation in the international division of labor (and of production and work processes) during the 1970s re-expresses a cyclical crisis of profit realization in the same way that earlier crises precipitated changes in the production process. However, there were at least three new features that distinguished NIDL from earlier historical changes in the international division of labor:

1. The geographical extent of the "division" was much wider after the mid-1970s, with manufacturing activities spreading to Central and Latin America, East and Southeast Asia, and parts of Africa.
2. The *intensity* and *range* of transnational economic activities increased as more multinational corporations (MNCs) were formed in the 1970s compared to a century earlier.

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This phenomenon can be largely attributed to improvements in "space-shrinking" transport and communications technologies, which enhanced the coordination of production and distribution processes by corporate headquarters, as well as MNCs' ability to raise financial capital through expanding capital markets in the industrialized world following the collapse of the Bretton Woods monetary system in the early 1970s (Murray 1971; Aglietta 1982). As Emmanuel (1975, 36) puts it, there existed by the mid-1970s "a relative mobility of [financial] capital, sufficient to give rise to a tendency for the world-wide equalization of the rate of profit, and a relative immobility of labour allowing considerable predetermined disparities in the wage rates of various countries."

3 A massive and growing pool of low-skilled or unskilled laborers became available for employment in many parts of the world, in part as an outcome of improving agricultural technologies, in part as a result of weak or failed domestic industrialization. To Harvey (1999/1982, 436), "Beneath all of the nuanced shifts in the international division of labour, in technology and organization and in the distribution of productive forces, lies a basic Marxian proposition: the accumulation of capital *is* increase of the proletariat" (emphasis original). Put another way, NIDL was correlated positively with the expansion of wage laborers at the global scale.

NIDL was a *combination* of these three features. Crucially, its emergence was enabled in large part by the "crisis" of Fordism. Fordism refers to a regime of accumulation first implemented in the United States and then expanded in varying degrees to Western Europe, Canada, and Australia. It is characterized by the mass production and consumption of standardized goods, high wages, and relatively fixed currency exchange rates which facilitated international trade. To keep the Fordist regime running, labor unions fought to keep wages high and growing, which would putatively translate to expanded consumption as well as stable fiscal revenues for the state, while the state took responsibility for providing collective goods such as domestic infrastructure, health care, and education and for overseeing stable fiscal and monetary policies. By the mid-1970s, it became apparent that the Fordist regime was becoming increasingly strained as profit rates declined. Large corporations in those economies consequently began exploring production and market opportunities elsewhere around the world. This phenomenon corresponded with FDI-friendly or import substitution policies in "host destinations," which in turn encouraged offshoring and produced modern-day transnational corporations (TNCs) and global production networks.

Economic geographers were quick to analyze the causes and differentiated geographical impacts of NIDL. Initial research probed these causes by examining firms' strategies vis-à-vis the Fordist structural crisis in the so-called core group of industrialized economies (see Wallerstein's (1974) discussion of core–periphery dynamics). Quite what triggered such systemic distress remains moot: the primary issue is whether demand- or supply-side factors, or a combination of both, contributed to the dismantlement of Fordism. To Doreen Massey (1978), market contraction was a major trigger of growing deindustrialization within several major industrial sectors in the United Kingdom. This in turn highlighted the limits of trade and labor market protectionism that undergirded the Fordist system. Once product markets began to open, the onslaught of competition – much of which emerged from firms within other "core" economies, notably Germany and Japan – caused many domestic firms to explore alternative production methods and strategies to remain in business. Alain Lipietz construes this supply-side factor as a major cause of NIDL:

> Unlike the thirties crisis, however, it is *essentially* due not to the tendency of supply to exceed popular demand, but to the fact that insufficient surplus-value results from a growing mass of invested capital. For capital in general (not, of course, for each individual capitalist), the problem is not so much to find markets as to drive up the rate of exploitation. And that has been the case since the late sixties. (1982, 36; emphasis original)

The underlying issue, however, was more intricate than simple cost reduction or increased exploitation. To Schoenberger (1988, 261), the *nature* of interfirm competition during the Fordist era planted the seeds for NIDL: "uncontrolled product competition is incompatible with Fordist production techniques," which were astute at churning out standardized models in huge numbers to capture economies of scale. Similarly,

> excessive price competition is incompatible with maintaining the mass-consumption base. In general, the system relies on the maintenance of an orderly oligopoly that will support stability in terms both of products and of prices while competition is channelled into such areas as superficial product differentiation, advertising, and distribution. (Schoenberger 1988, 261)

The effect, as Schoenberger shows, was in fact so significant as to trigger a "cultural crisis of the firm," wherein an "entire ensemble of material practices, social relations, and ways of thinking, and the material and social assets tied up in them, *were invalidated*" (1997, 224; emphasis added). From this perspective, NIDL precipitated industrialized economies' variegated adoption of industrial deregulation: with more open markets and increasing competition, the Fordist accumulation system could not cope. While it was not a prescribed policy panacea, NIDL was the result of this nascent shift in economic governance.

Perhaps more crucially, firms' strategies to develop transnational production networks are intimately connected to concrete state policies within multiple economies that created fresh conditions for capital to flow internationally. Empirical research has demonstrated that developing countries were not passive actors in shaping MNCs' location strategies, nor were their industrialization strategies predicated on an ecumenical blueprint sourced from the "center"; the wholesale imitation of Fordism, notably the establishment of high wages for semi- or low-skilled workers, did not occur *at all*. New markets also emerged outside the "center," first in so-called newly industrializing economies like South Korea and Taiwan, and then in emerging economies such as China, India, Russia, Brazil, and Mexico. Even within the "core," common markets were formed in what is now known as the European Union and North American Free Trade Area (NAFTA). These findings provided a much-needed refinement to the NIDL thesis, which is often critiqued as describing a unidirectional and mechanistic transfer of labor-intensive, lower-order economic activities from industrialized countries to developing countries in order to achieve cost savings; they show how the international division of labor is driven as much by place-specific political objectives as by the profit motive.

SEE ALSO: Colonialism, decolonization, and neocolonialism; Comparative advantage; Cores and peripheries; Fordism/post-Fordism;

Fragmentation of production; Global production networks; Labor geographies and the corporation; States and development

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