Preface

This book analyzes the effects of some key changes in the global economy on African countries south of the Sahara. Africa has rarely been the main subject of the growing literature on economic globalization. It is either ignored as 'marginal' in the dynamics of global economic change, or is represented as a case study among others. When individual African countries are actually examined in this literature, it is often South Africa that speaks for the continent—hardly the case of appropriate representation. This book fills this gap by putting Africa firmly at the nexus of the economic globalization-development debate. It shows that there are uneven trajectories within the continent, depending on the value chain analyzed and the regulatory structure of the country under study. The kinds of opportunities and constraints that African countries face have also varied in time in relation to changing international trade regimes and global business strategies. There have been cases of marginalization and of increased opportunity; inclusion, and exclusion; new processes of trade integration as well as increased fragmentation; cases of industrial collapse and of technological upgrading; cases of exploitation of local resources (both physical and human) by large corporations and cases of firm-to-firm learning.

Some of the challenges faced by Africa in the changing global economy are entirely new. Others have been modified. In general, the terms of participation in international trade and global value chains (GVCs) have entailed more demanding capabilities and performances. This in turn has generated new winners and losers. The first novelty of this book is that it examines the consequences of these changes through a combination of three areas of thinking and research that have not been previously been confronted with each other. The first is Global Value Chain (GVC) analysis; the second is Convention Theory; and the third is work on Africa's decline and marginalization in the global economy. GVC analysis and convention theory have been applied largely to economic life in the North (and in the case of GVC, to trade between the North and Asia). They have also been elaborated in wholly isolated ways from each other, despite the potential complementarities. Africa's decline and marginalization in the global economy has been discussed mainly in political science analyses of "failed regimes" and in orthodox trade theory in relation to trade "disintegration."

The point of bringing together GVC analysis with a discussion of Africa's contemporary role in the global economy is twofold. First, it enables a broadening of applications of GVC analysis into least-developed and other developing countries and therefore into a range of value chains never previously examined. This in turn allows the testing, refinement, and development of GVC's key concepts of governance and upgrading. Second, it enables a shift of the debate from sterile narratives about African exceptionalism to the diversity of responses within Africa and the link between these and specific dynamics in the global economy.

Convention theory's confrontation with African economic life is similarly provocative. On the one hand, it obliges this body of thought to come to terms with a range of products that it has previously failed to treat. It also highlights the status of conventions as sources of entry barrier to broad groups of producers and not simply as means of arbitrating and justifying the quality of products circulating in Northern economies. On the other hand, it helps Africanist scholarship to recast recent economic developments in the continent in the light of: (1) profound historical changes in the realm of Northern consumption; and (2) the nature of the mechanisms through which the quality of traded products is specified and measured.

Finally, GVC analysis and convention theory add missing dimensions to each others' understanding of economic life. Convention theory enriches GVC analysis' preoccupation with chain governance through a better understanding of the normative dimensions of governance and its consumption-related aspects. GVC analysis enriches convention theory's sociological preoccupation with normative structures as constraints to action through a new approach to the issue of economic power.

The second novelty of this book is that it grounds this combination of GVC analysis, convention theory, and the treatment of Africa's role in the global economy, on a broader discussion of the distinctive features of present-day capitalism and the regulation of international trade. GVC structures are strongly shaped by the strategies of relatively small groups of companies based in the North in the context of changing regulatory regimes. These companies follow specific prescriptions about business strategy, command specific magnitudes of resources, and work within specific conventions of consumption and sets of trade rules. Which types of companies are able to lead GVCs, which prescriptions they follow, and what level of resources they have for doing so, depend on processes unique to the contemporary Northern business environment—and understandable only in relation to its underlying dynamics. The content of the quality paradigms that such actors seek to use, and in relation to which they set supplier specifications, are also strongly influenced by the nature of this environment.

Within this broad framework, we seek to unveil processes of integration and marginalization of African countries, farms, and firms—with a focus on aspects such as entry barriers, shifting power dynamics, mechanisms of governance of value chains, and opportunities for industrial upgrading. A better understanding of the interactions between public forms of governance (international and domestic regulation), private forms of governance (global business strategies, internal dynamics of coordination in value chains), and what falls in between (standard setting networks, label and certification initiatives, public-private partnerships) is aimed at going beyond state-centric approaches to economic development. Yet, GVC analysis was until recently almost exclusively focused on 'internal' dynamics of value chain governance and disregarded the role of regulation in the workings of international trade. This book, although following the GVC tradition, aims at emphasizing the structural limitations within which firms, even multi-national corporations, operate. It also seeks to examine the more cognitive and normative aspects of governance in GVCs—in relation to different corporate cultures, the expectations of financial markets, and different forms of legitimacy and justification of action.

Empirically, this book is based on the analysis of key value chains originating from a number of African countries and ending in Northern economies: citrus (from South Africa), clothing (from Mauritius and South Africa), cocoa (from Ghana), coffee (from Kenya, Ethiopia, Tanzania, and Uganda), cotton (from Tanzania and Zimbabwe), and fresh vegetables (from Kenya and Tanzania). By focusing on agro-food products and labor-intensive manufacturing, the case studies provide the substance for conclusions that apply to least-developed countries (LDCs) generally, and to those in Africa in particular. This compensates for the fact that much GVC analysis has so far been so far focused on more advanced manufacturing sectors and high technology (with the exception of work on clothing and footwear) and on other regions of the world (with the exception of work on fresh fruit and vegetables). The material on the selected GVCs is used mainly for analytical purposes here. More information and empirical details on the specific case studies are available in the publications listed in Table 4.1 and in the edited volume by Fold and Larsen (forthcoming).

As a point of departure, we examine recent transformations in global business and corporate strategies and in the regulative and institutional frameworks that govern international trade. Chapter 1 covers some of the key changes in economic thinking, business strategies, and industrial organization that have taken place at the international level in the last twenty years with specific reference, when appropriate, to the consequences for Africa. This is done in relation to some broad trends that characterize what we call the "age of global capitalism": increased economic globalization (at least in some aspects), corporate financialization and "shareholder value," and the emergence (or re-emergence in some cases) of specific corporate practices and forms of industrial organization. This period started approximately in the early 1980s, but its characteristic trends accelerated in the 1990s and early 2000s. Its defining features are the following:

1. Intensified economic globalization—at least in some respects; globalization skeptics may be correct in pointing out that contemporary foreign-direct investment (FDI) and global trade, far from being comprehensively "globalized," still take the form of flows mostly within and between the so-called "triad" (North America, Western Europe, and Japan). But it is also notable that—since the early 1970s—the tendency for the triad to dominate world exports has been halted or even reversed. Also, exports of merchandise trade from a developing country region *outside* the triad (Asia other than Japan) has increased substantially—not only for basic manufactures like clothing, but also in more technologically sophisticated products.
2. The increasing internationalization of retail activities in Northern countries—mainly as a result of mergers and acquisitions; as recently as the mid-1980s, almost all retailers, even leading ones, served only their domestic markets. World retail sales are today dominated by groups operating not merely across countries, but also across regions—including those regions typically characterized as "emerging markets."
3. The phenomenon of corporate "financialization," or broadening popular participation in corporate shareholding, that has led to a

partial re-orientation of quoted corporations from (mainly) increasing their market share to (also) increasing "shareholder value." Although these phenomena are more relevant to Anglo-Saxon countries, there are signs that similar prescriptions are spreading to other business cultures in Europe.

4. The growing importance of two instruments for attaining "shareholder value" in the context of slow growth of global good and service markets: oligopolistic rent-seeking, and branded marketing.
5. Changes in industrial organization, with the passage from a focus on internal scale economies (related to vertical integration) to one on external economies (via out-sourcing)—and a resulting tendency for "lead firms" to retain control over product definition and marketing, and to out-source manufacturing, supply chain management, and sometimes also inventory management.
6. The rise of "global contract manufacturing;" as lead firms have increasingly redefined themselves as specialists in branding and marketing, certain of their suppliers have chosen to specialize in the manufacture and/or provision of related production services. This allows (some) suppliers to reap the benefits of large economies of scale, to diversify their customer base, and to break away from a "captive" supply relationship.

In Chapter 2, we provide the basic elements for an incorporation of international regulation into the analysis of GVCs. In much of the political economy literature, there has been an implicit assumption that de-regulation means no more than reduction in the amount and encompassing nature of regulation—whereas in fact it means a shift in the type and form of regulation. This has generally involved privatizing regulation and shifting it away from a politically negotiated system, where rules provide the basis for public enforcement, and towards a judicially-regulated system in which rules provide the basis for civil court action and award of damages. This change is also partly reflected in international trade rules, although public enforcement in this case was never a feature of earlier periods of regulation.

In this chapter, we concentrate upon the evolution of the regulative and institutional frameworks that govern international trade. Specifically, we focus on the emergence of a 'new international trade regime' that started with the establishment of WTO in 1994, but that is more recently characterized by a proliferation of bilateral trade agreements.

The observed poorer trade performance of Africa in relation to other developing country groups is especially disturbing in relation to the nature of the new international trade regime. The modest degrees of preferential treatment for developing countries that were present in the pre-1994 trade regime have been diluted in the new regime, whereas the underlying principle of special and differentiated treatment has been repackaged in terms of equality of opportunity—plus longer periods to meet the compliance conditions of largely Northern country-defined trade rules.

Another element that is often absent from GVC studies relates to how the consequences of changing global business strategies and trade regimes are mediated for producing countries by different types of domestic rules and institutional frameworks. This topic, rather than being treated in a separate chapter, is woven into the chapters summarizing our value chain studies. Changes in global business strategies and trade rules do not affect all African countries in the same way. Local-level outcomes are markedly different due to different paths of domestic market liberalization. Market liberalization has been concomitant with the disappearance of distinctively national regulative or coordinative systems in many African countries—especially in relation to agricultural commodities. National governments are now mostly unable to control or predict crop availability (in terms of volume and timing), and/or quality, or both. Together with the disappearance of the national institutions charged with these types of coordination, this has undermined the effectiveness of attempts by producing countries to revive international commodity agreements. Consequently, there are no frameworks for managing secular falls in international prices or price instability in domestic markets.

Different paths of liberalization also entail different (public, private, or both) models of sector organization and coordination that have specific implications for price setting and the local management of quality. They have consequences more generally for system performance and the distribution of benefits between actors in different roles in the national segments of GVCs. In many African cases, a tension has emerged between competition and price incentives to producers on the one hand, and input provision and quality control on the other. This tension manifests itself in terms of higher shares of the international price being paid to producers, whereas input supply systems are disrupted, quality deteriorates, and generally lower average international unit prices are obtained.

Chapters 3 to 6 elaborate and deploy the GVC and convention theory approaches to understanding the changing role of Africa in the global economy. Chapter 3 delineates some of the key conceptual questions in GVC analysis, providing readers with an introduction to the issues of governance and upgrading in this framework. Chapter 4 examines the historical rise of "buyer-driven" chains. One of the defining parameters of GVC analysis is its distinction between "buyer-" and "producer-driven" value chains, with the implication that the nature of specific categories of lead firms determines both input-output structures and chain geographies. This chapter discusses some of the basic elements—both in the North and in Africa—that facilitated the emergence of buyer-driven chains. Then, it describes the configuration of the selected value chains and the nature of their main actors: lead firms, first-tier suppliers, and second-tier suppliers. Tiering of supply networks is a major trend of recent years, and the gap between first- and second-tier suppliers is, in most cases, almost as large as that between lead firms and first-tier suppliers. This discussion is followed by the analysis of how lead firms exercise "driving" in value chains, with special reference to their relations with first-tier suppliers.

Most first-tier suppliers, like lead firms, are Northern-based. Africa's role in GVCs comes into full focus only when relations between first- and second-tier suppliers are considered. Chapter 5 does so in relation to questions of entry barriers, upgrading opportunities, and marginalization and exclusion experiences encountered by second-tier suppliers. The discussion starts with entry barriers and elaborates two stories arising from our empirical material on Africa: (1) a story of strategies adopted by "lead firms" that raise entry barriers for both first-tier and second-tier suppliers (coffee, clothing, fresh vegetables, citrus); and (2) a story of raised entry barriers for first-tier suppliers, and unchanged or even reduced entry barriers for second-tier suppliers (cocoa, cotton).

These two "stories" have different consequences for developing country producers, processors, and traders in terms of exclusion and marginalization. In the first story, entry barriers for second-tier suppliers are multiple, to some degree mutually reinforcing, and generally rising. In the second story, entry barriers are less numerous and do not necessarily mutually reinforce each other. In principle, it should be easier to negotiate a single entry barrier than multiple ones, even though the rewards may not be high. The fact that some African countries, farms, and firms have had great difficulty in doing so indicates institutional failure and fundamental problems of public policy formulation and implementation. Finally, this chapter turns to opportunities for, and experiences of, upgrading. Upgrading refers here to how second-tier suppliers can access better and/or more stable rewards from participation in GVCs, or can graduate to first-tier supplier status. The analysis traces changes in the reward systems presented to suppliers, and suggests that there have been relatively few examples of clearly successful upgrading in Africa, even of a limited kind.

Chapter 6 incorporates the cognitive and normative aspects of governance addressed in convention theory into the more structural framework of GVC analysis, in order to enrich the theoretical discussion of (private and public) forms of governance in the global economy. This is done through a focus on issues of quality and standards. The chapter starts with the observation that consumption in Northern countries is increasingly characterized by new trends in taste, by greater food and/or user safety awareness, and by social and environmental concerns. This, together with market saturation for goods with commodity traits, has led to product proliferation and differentiation. These trends have also been accompanied by an increased importance for issues of quality control and management, traceability, and certification. As a result, quality standards are proliferating and becoming more specific. They also tend to focus (sometimes exclusively) on production and process methods rather than on the product itself.

The confrontation of convention theory with GVC analysis suggests new ways of understanding these developments [as well as new reflections] on their consequences for economic governance. Consumption is governed quite independently from the governance of value-chains, but lead firms still seek to differentiate their products within the broad boundaries of society-wide prescriptions and justifications concerning what quality consists of. Current trends in the overall composition of quality conventions mean that quality management has become a more important and demanding aspect of value-chain governance. At the same time, control over where and how quality is generated along a chain has also become a key foundation of governance. These trends have emerged in a context where buyer power on the one hand, and shareholder value—based prescriptions about the desirability of outsourcing on the other, provide the basic parameters of value chain driving.

Against this background, lead firms seek to use their power in relation to quality issues by exercising control over the controls that others are expected to implement—rather than by directly managing quality along the full length of a value chain. This propels narratives about quality in the direction of conformity with codified standards, which in turn reinforces the differentiation between first- and second-tier suppliers. However, the extent to which quality can be managed in this way varies considerably from chain to chain, depending on a variety of factors—including how precisely quality comes to be defined, which group of agents within lead firms is involved in defining it, and on the nature of the product traded. This gives rise to a variety of forms of coordination between various segments of the value chain under the common heading of buyer-driven governance. However, new standards, certifications, and codification procedures simultaneously open up opportunities for agents other than lead firms to contest the content of quality prescriptions, prescribe alternative mechanisms of governance, and thus more or less directly challenge buyer dominance.

Chapter 7 sums up the main conclusions of the book. Relative to its position in the global economy half a century ago, Africa has experienced a process of "trading down"—exclusion, marginalization, and location in roles associated with high levels of vulnerability. But the term "trading down" also can be used as a stylized description of the practical business strategies adopted by certain enterprises that have succeeded. These have foci that, although decidedly unappealing in the context of theories of industrial upgrading, appear both viable in business terms and consistent with Africa's basic pattern of factor endowment. The discussion poses the question of whether these spontaneously emerging corporate adjustments point in the direction of a viable and generalizable development strategy. The chapter closes by returning to the implications of the book for GVC analysis and for future research.

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1 The Age of Global Capitalism

The Objective of this book is to help the reader understand the nature of Africa's current political economy in relation to the broad debate on how economic globalization affects development prospects. To analyze the Africa-globalization-development nexus, it is first necessary to understand some of the central trends and processes that characterize what we call "the age of global capitalism." This implies, at least initially, a focus mainly on Northern countries and changes in their economies. Within this broad framework, this chapter mainly discusses ongoing processes of financial and industrial restructuring and their underlying causes.

This focus reflects our central assumption that Africa has been, and remains, integrated into the world economy on the basis of specific investments, exchanges, and contracts entered into by specific enterprises and individuals. These have taken place in contexts that have been subject to regulation of different kinds—for example, by trade agreements, national economic policies, and international standard setting. However, their more immediate dynamics relate to the emergence of (and interactions between) particular men and women acting in particular markets and the influence of discourses concerning how profit making can be most efficiently organized. These actors, markets, and discourses are all subject to historical evolution and sometimes to revolution. At the beginning of the twenty-first century, they look very different even in comparison to those of two decades ago.

Because Africa's relation to the world economy has turned so persistently on agrofood commodities and minerals, and because the former are the focus of most of the empirical studies covered in this book, we have chosen to illustrate Northern financial and industrial restructuring processes chiefly in terms of developments in the food sector. However, to make certain theoretical points and to show the extent (and limitations) of the applicability of changes in the food sector, the electronics, pharmaceutical, and automotive sectors are also examined.

This chapter begins with discussions of some of the broad trends that characterize contemporary capitalism: economic globalization, "corporate financialization" and shareholder value, and specific corporate practices (especially oligopolistic rent seeking). It then turns to an examination of two central issues for the study of global value chains: how, against this background, lead firms are restructuring their relations to their most immediate (and larger) suppliers and how these suppliers are responding to these processes. Finally, it identifies a number of emerging issues for the analysis of Africa's changing relation to the global economy: the revived importance of economies of scale, the simultaneous demand for large suppliers to exhibit greater specialization and to provide more services, and the implications of these developments for entry barriers.

Economic Globalization

Narratives concerning economic globalization have gone through two clear phases since they emerged in the early 1980s. In the first decade of the discussion, the dominant form was that propagated by marketing gurus like Levitt (1983) and neoclassical business economists such as Ohmae (1990), who were working for, or in close collaboration with, institutions like the Organization for Economic Co-operation and Development (OECD).[1] The position of these "globalization enthusiasts" was that all critical economic flows—trade, foreign-direct investment (FDI), portfolio investment, lending and borrowing—were becoming more internationalized to an extent and at a pace unmatched during any previous stage in history. They also argued that economic processes and tendencies in different parts of the world were becoming much less open to major local variation and modification. In the case of Ohmae (1990), these positions were complemented by three other arguments: (1) globalization was leading to a net increase in economic benefits, largely through greater competition and thereby greater efficiency; (2) these changes, at least potentially, could benefit all countries equally; and (3) governments could best capture the benefits of globalization by ensuring the greatest possible degree of economic openness.

Since the mid-1990s, this position has been subject to what has been called "death by a thousand qualifications." Several of the most strategic of these were inflicted by Hirst and Thompson (1996). Hirst and Thompson argued that contemporary FDI and global trade, far from being comprehensively globalized, increasingly took the form of flows within and between a triad of advanced economies—North America, Western Europe, and Japan. Even investment and trade *between* these three blocs was less significant than *within* the first two, whereas flows between each of these groups and the rest of the world were hardly significant and, in most cases, falling in relative importance.

Hirst and Thompson (1996) also asserted that little or no change could be detected in the global distribution of gross domestic product (GDP) since 1970. In the early 1990s, roughly 75 percent of GDP was still generated by the triad, even when including the newly industrialized countries (NICs)—Hong Kong, Korea, Singapore, and Taiwan. Furthermore, they claimed that overall levels of international economic integration, even among countries in the triad, were no greater (and in relation to some indicators, were actually lower) than at two or three earlier times during the twentieth century. Finally, they sought to show that the scope for nation-states to exercise independence in economic policy making was still considerable. Those promulgating such qualifications to the original globalization narrative have been commonly designated as "globalization skeptics." Following Hirst and Thompson's predominantly economic focus of critique, most subsequent contributions have been aimed at refuting claims concerning political globalization (see, for example, Weiss 1998, 1999).

In the rest of this section, an argument will be presented for a partial rehabilitation of the notion of economic globalization, although not in the form asserted by Levitt and Ohmae. This argument is aimed less at saving the concept of economic globalization, which cannot be considered a particularly interesting project in itself, and more at bringing the discussion back to the nature of global capitalism. In the course of rectifying the hyperbole of the globalization enthusiasts, the counternarrative of the globalization skeptics wittingly or unwittingly narrowed the examination of what is going on in the contemporary global economy to measurement of a limited range of headline trends. As noted previously, this measurement seems to reveal a picture of little or no change. However, even a superficial decomposition of some of the apparently static headline trends indicates that they conceal strong subtrends pulling in different directions. Although these may cancel each other out in terms of aggregate data, they are sometimes themselves new and interesting and have broad implications.

The discussion that follows focuses on a specific and interlinked group of subtrends within world merchandise trade as well as on complementary trends in world retail trade. This analysis introduces a number of parameters that will frame later discussion: (1) that trade in manufactures is increasingly dominating merchandise trade generally; (2) that exports of these goods are dominated by a single developing region: Asia other than Japan; (3) that the share of trade in manufactures accounted for by trade in parts and components is rising; and (4) that control over final sale is becoming more concentrated in the hands of a few retail chains.

As the globalization skeptics point out, although world trade/GDP[2] ratios have been rising steadily over the last decades, they are still little higher today than they were at the previous high point of international economic activity (in 1914). Moreover, world trade in aggregate is no more globalized now than it was in the 1910s, in the sense that the trade share of developing countries has stagnated or even declined. At the same time, however, world merchandise trade has become overwhelmingly dominated by manufactures. In 1950, 35 percent of world merchandise trade by value was in agricultural products and 25 percent was in mining products. The share of world trade accounted for by agricultural products steadily subsided to 9 percent in 2001 (all data are from General Agreement on Tariffs and Trade/World Trade Organization; GATT/WTO, various). The share accounted for by mining products rose slightly in the 1960s and 1970s before falling to 13 percent in 2001. Meanwhile, the share accounted for by manufactures has almost doubled, from 39 percent in 1950 to 75 percent in 2001.

Contrary to contemporary wisdom, trade in services has grown less spectacularly and since 1990 has increased its share of world trade only slightly. World trade is thus no longer based on the import of raw materials to Northern countries or even on the exchange of manufactures for raw materials. It is based mainly on the exchange of different kinds of manufactures.

Since the early 1970s, the tendency for the triad to dominate world exports has been halted or even reversed. At the same time, the share accounted for by Asian countries outside of the triad has roughly doubled. The share of world exports accounted for by the triad increased from under 60 percent at the end of the 1940s to 68 percent in 1973. Since that year, it has fluctuated between 61 and 71 percent (1993). In 2001, it was 61.6 percent. Among Asian countries, Hirst and Thompson (1996) include only Japan as part of the triad. Yet, the share of all world merchandise exports accounted for by Asia other than Japan increased from 9 percent in 1963 to 18.3 percent in 2001, having recovered its upward course after a fall as a result of the Asian crisis (GATT/WTO, various).

The relative fall of exports from the triad and the increase of exports from Asia are actually linked. Asia has taken a leading position not only in exports of basic manufactures like clothing but also (and especially since 1990) in more technologically sophisticated products. Table 1.1 shows the share of world exports from Asia for four of the contemporary leading items in world trade. These items together represent over 60 percent of world merchandise trade by value and almost 80 percent of world trade in manufactures.

Three trends stand out from this table. First, from 1990 to 2001, there is a significant rise in the share of world exports accounted for by Asia other than Japan for each of these items. In each case, the more recent shares for Asia other than Japan are higher than those for Japan itself. Second, a majority of all exports of these items, except for textiles, are global rather than being within Asia (including Japan) itself. Third, although its presence in Asian markets has been sometimes growing faster, the extent of the presence of Asia in non-Asian markets has been increasing for all items. On this basis, it is possible to identify a region outside the triad as already being the world's leading manufacturing specialist, and in the process of a transition from being a global specialist in labor-intensive manufactures to becoming one in more capital-intensive manufactures. This important observation is overlooked by globalization skeptics.

Within international trade in manufactures, trade in *manufactured inputs* has seen a very considerable increase. This trend points to the fact that the rise of Asia other than Japan as a center of world manufacturing

Table 1.1 Asia other than Japan: share in world exports for selected manufactured products (% of total value: 1990, 2001)

	1990	**2001**
Machinery and transport equipment	9.6	19.6*
Proportion exported outside Asia	*62.7*	*52.8**
Office equipment and telecoms equipment	23.5	36.2
Proportion exported outside Asia	*67.2*	*51.1*
Textiles	29.7	39.8
Proportion exported outside Asia	*42.8*	*45.0*
Clothing	43.6	45.5
Proportion exported outside Asia	*35.5*	*73.4*

* Figures for 2000 (data for 2001 unavailable).
Source: WTO 2001.

exports has been associated with production of manufactures being undertaken increasingly on an international network or chain basis. Asia's rise as an export center has been associated with imports of components from elsewhere, and domestic manufacturing in the North has also become increasingly dependent on imported components.

International trade statistics are not particularly good at recording or measuring this change. As Milberg (2003) points out, the only industrial classification where official statistics distinguish parts and components from total trade is the classification for machinery and transport equipment. Here, parts and components increased their share from 26.1 percent in 1978 to 30 percent in 1995.[3] Otherwise, the change can be measured only indirectly (through input-output data) and thus with the considerable time lag embodied in this type of data. Campa and Goldberg (1997) report comparable data on imported inputs as a share of total inputs employed in all manufacturing in Canada, the United Kingdom, and the United States (in 1974, 1984, and 1993); Feenstra and Hanson (1999) estimate the share of imported inputs in total incorporation of intermediate goods in U.S. manufacturing (in 1972, 1979, and 1990; see Table 1.2). Although the magnitudes indicated by their data differ, both show a steady rising trend.

There has been a transformation in another aspect of world trade, this time one that is not reported at all in international merchandise or service trade statistics. This is the transformation in international *retail* trade, which has complemented the rise of Asia other than Japan in trade of manufactured goods. A salient feature here is not the emergence of non-Japanese Asian leadership (for global retail leadership is ever more unambiguously with U.S.- and E.U.-based firms), but rather the increasingly international character of retailing itself. As recently as

Table 1.2 Share of imported inputs in Northern manufacturing, 1972–1993 (%)

	1972	1974	1979	1984	1990	1993
Canada I		15.9		14.4		20.2
UK I		13.4		19.0		21.6
US I		4.1		6.2		8.2
US II	6.5		8.5		11.6	

I, share of imported inputs in all inputs (Campa and Goldberg 1997); II, share of imported inputs in total use of intermediate goods (Feenstra and Hanson 1999).

the mid-1980s, almost all retailers, even leading ones, served only their domestic markets. World retail sales are today dominated by groups operating not merely across countries but also across regions, including those regions typically characterized as emerging markets. Table 1.3 lists the world's 20 leading retailers by sales, the timing of their first international ventures, and the markets they operate in.[4] The market leader, Wal-Mart, is now the world's largest company by sales and the world's largest private employer.

Of the twenty groups listed, seventeen were operating in at least two countries, sixteen were operating in at least two regions, and eleven were operating in three different regions or more. No fewer than fifteen were operating in emerging market regions. Of the fifteen disclosing overseas sales figures, the median overseas sales level was 17 percent. Of the fourteen for which a year of first overseas investment can be determined, the median year of first internationalization was 1987–1988.

According to Deloitte and Touche, global retail sales in 2000 were around $7 trillion. Assuming a 2 percent growth level during 2001, the twenty-one retailers listed in Table 1.3 jointly accounted for around 12 percent of world retail sales in that year. For a sector that has traditionally exhibited very low levels of global concentration and internationalization, this is unprecedented. Global concentration has clearly been driven upward by the internationalization process, including the movement into emerging markets where growth levels are higher than in the triad. Thus, global relocation of export manufacture, and increasing dependence on imported inputs on the part of global manufacturing that remains in the North, is accompanied by the emergence of a pattern of global marketing whose control is increasingly centralized, but which feeds into a more geographically dispersed pattern of sales.[5]

We are not claiming that the trends identified previously amount to a confirmation of the original claims concerning economic globalization, nor do we deny most of the headline claims made by the globalization skeptics. These trends support mainly the observation that, although globalization is not an accomplished end state, there are nonetheless diverse new trends, new actors, and new links emerging between different trends and actors. Furthermore, although these processes are fragmented, incomplete, discontinuous, and contingent, there are also a few common threads running through them. Against the broad background of global liberalization of markets, these include a deepening of certain forms of economic differentiation and new ways of leveraging them.

Table 1.3 World's 20 largest retail groups, 2001–2002

Name	Formats	Country of origin	Year of first international investment	Share of current sales from foreign operations (%)	Regions of foreign operation and share of total sales by foreign region	Total sales 2001 ($billion)****
Wal-Mart	Discount, warehouses	U.S.	1991	17	North, Central, and South America; E.U.; E. Asia	244.5 (2002)
Carrefour	Cash and carry, convenience, discount, hypermarket, supermarket	France	1969	44	E.U. and Eastern Europe, 29%; North, Central, and South America, 8%; E. Asia 7%	62.1
Royal Ahold	Cash and carry, convenience, discount, drug, hypermarket, supermarket, specialty	Netherlands	1977	86	North America, 59%; E.U. and Eastern Europe, 19%; Central and South America, 7%; E. Asia 1%	59.5
Ito-Yokada/ 7-Eleven*	Convenience, discount, hypermarket, supermarket, specialty, department	Japan (but 7-Eleven based in U.S.)	Own chains, 2000; 7-Eleven, 1971	Own chains, 0.5%; 69% of 7-Eleven sales outside U.S.	Own chains, E. Asia; 7-Eleven, all regions	57.7 (2002)
Home Depot	Do-it-yourself (DIY), specialty	U.S.	1994	Not available	North and Central America	53.6
Kroger	Convenience, department, drug, specialty, supermarket	U.S.	None	—	—	50.1
Metro	Department, DIY, hypermarket, mail order, specialty, supermarket, warehouse	Germany	Not known	46	E.U., 29%; Eastern Europe, 14%; Asia and Africa, 2%	44.2

Sears	Department, mail order, specialty	U.S.	2000	10	North America, 10%	41.1
Target	Department (Dayton Hudson), discount	U.S.	none	—	—	39.9
Group. des Mousquetaires (Intermarché/ Spar)**	Convenience, discount, DIY, hypermarket, restaurant, specialty, supermarket	France	1988	Not available	E.U.; Eastern Europe	36.0
Edeka/AVA	Convenience, discount, DIY, hypermarket, supermarket	Germany	1991	6	E.U. and Eastern Europe, 6%	34.2
Costco	Warehouse	U.S.	Not known	15	North America, 12%; Central America and Asia, 3%	32.0 (2002)
Albertsons	Drug, supermarket	U.S.	none	—	—	37.9 (2002)
Kmart	Discount	U.S.	none	—	—	36.2
Tesco	Convenience, hypermarket, supermarket	U.K.	1994	15	E.U. and Eastern Europe, 9%; Asia, 6%	34.4 (2002)
Rewe	Cash and carry, convenience, department, discount, DIY, hypermarket, specialty, supermarket	Germany	1993	20	E.U. and Eastern Europe, 20%	33.5
Safeway/Casa Ley***	Supermarket	U.S.	1981	14	North America, 10%; Central America, 4%	35.8 (2001/ 1999)
J C Penney	Department, drug, mail order	U.S.	Not known	2	Central and South America, 2%	32.0

Continued

Table 1.3 World's 20 largest retail groups, 2001–2002 *(Continued)*

Name	Formats	Country of origin	Year of first international investment	Share of current sales from foreign operations (%)	Regions of foreign operation and share of total sales by foreign region	Total sales 2001 ($billion)****
J Sainsbury	Convenience, hypermarket, supermarket	U.K.	1987	17	North America, 17%	26.5 (2002)
Tengelmann	Discount, DIY, drug, hypermarket, specialty, supermarket	Germany	1972	56	North America, 38%; E.U. and Eastern Europe, 18%	25.4
Auchan	Convenience, DIY, hypermarket, restaurant, specialty, supermarket	France	1981	47	E.U., 34%; Eastern Europe, Central and South America not disclosed, Asia and N Africa, 13%	23.4

* Ito-Yokado owns a majority of the shares of 7-Eleven.
** Groupement des Mousquetaires owns a majority of the shares of Spar. It also holds large minority shareholdings in Rona (Canada, sales C$1.2 billion) and in Grupo Eroski (Spain, sales € 4.6 billion). Only the figures from Spar are included in the total given in the table.
*** Safeway owns half of the shares of Casa Ley (Mexico), whose sales data from 1999 (its last reported figures) are added here to Safeway's 2001 sales for North America. The group has no relation to the U.K. retailer of the same name.
**** Where figures were given in € , the exchange rate applied is that at 31st December for the year concerned (in 2001, $1 = € 1.12; in 2002, $1 = € 1.06 (source: http://www.oanda.com/convert/fxhistory)
***** Different figures given in different versions of accounts.
Source: Company annual reports and accounts.