in the South.[40] Both India and South Korea, for instance, are now winning major civil engineering contracts, whilst Mexico has developed original metal-working and oil-exploration techniques. In world terms, however, their share at levels 1 and even 2 of the new international division of labour remains minimal. Benabou rightly notes that whilst South Korea exports 4 per cent of its machine tools, 65 per cent of home demand is met by imports.[41]

We are witnessing *a reduplication of the new international division of labour*. In terms of bloody Taylorization's strategy of relocation and re-exporting, the 'first-wave' NICs are becoming less competitive as wages begin to rise, and increasingly the centre is using import quotas against them. With the help of multinational companies, a second stage of 'bloody Taylorization' is emerging, and it is directed towards what the *OECD Observer* (November 1982) calls 'the new wave of industrial exporters': Malaysia, the Philippines, and, in a sense, China.

Finance and Partial Regulation: The Role of Banks and Transnational Companies

The reduplication of the international division of labour, the distribution of world circuits of productive branches across the NICs and their superimposition upon old relations between the 'manufacturing centre' and the 'primary-exporting periphery' by no means lead to the emergence of a 'world economy' with a single hegemonic centre. Quite apart from the fact that Japan and Europe are still fighting the 'War of the American Succession' (to use Wallerstein's expression) and that the state capitalisms of Eastern Europe have a peculiar status within the 'system', the Third World now looks like a constellation of special cases. It is characterized by vague regularities, elements of a logic of accumulation which more or less complement one another, and by flows which emerge and then disappear within the space of a few years without a stable mode of overall regulation ever being established.

As one might have expected, the new division of labour is no more of a division than the old, if by 'division of labour' we mean a rational project drawn up by some Beast of the Apocalypse. It is a random configuration resulting from the myriad strategies adopted by different companies and states, from a miraculous harmonization of the very different regimes of accumulation adopted as a result of the impersonal process of class struggle between the multiple social formations of the North and the South. Some very poor countries export very little; in accordance with the logic of bloody Taylorization, others like Bangladesh export a great deal. Some countries have an advanced capitalism and have mastered level-3 and level-2 activities, or even level-1 activities. Some of these export one third of their total output, as does South Korea, whilst others, like Brazil, export relatively little. Once again, we see the need for concrete analysis, for the study of the economic and social history of each specific country, for the study of their modes of regulation, their forms of class alliance and their successive hegemonic systems. I do not have the heart to attempt to outline a typology of regimes in the South here.[42]

On the other hand the new division of labour does seem to deserve its name more than the old, in that the Beast of the Apocalypse is now embodied in the material form of agents and institutions which not only 'own' many centres of production, but which actually 'possess' those centres and which are therefore able to divide the labour of manufacturing *between them*.[43] We have already mentioned their names: the banks and multinational companies. They bring with them the Curses of the Apocalypse, in other words technological and financial dependency.

By the end of the seventies, a rich and well-documented body of literature on the *reality* of these dependencies was available.[44] But the argument had already moved from the realities that result from multiple processes back to functionalism and intentionality. The new division of labour tended to be reduced to the relocation of the unskilled levels of the tripartite Fordist division; it was described as working to the advantage of the centre alone and as resulting from decisions taken by companies in the centre. Unfamiliar duckbills like Korean ships and Brazilian rolling mills did nothing to shake dogma. It was assumed that the Third World is dependent in the same way that mammals are viviparous. The other tendencies at work within the move towards global Fordism were overlooked. As markets and production expand at the same time, final demand in the Third World also rises and has a greater effect on the behaviour of agents, banks and companies. And as usual, the autonomous actions of nation-states were ignored.[45]

So What Were Multinational Companies Doing in the Periphery?

The simple answer is 'relatively little'. They had certainly become more multinational:[46] direct foreign investments rose much faster than average fixed capital formation in the centre. They are certainly extremely powerful: the top 866 multinational companies control 76 per cent of world manufacturing output. Thirty per cent of all international trade takes place *within* multinational companies. The problem is that all this relates mainly to the way in which the economies *of the centre* are interconnected and to the centralization of capital *within the centre*. During the seventies, roughly 25 per cent of all direct investment by multinational companies took place in the South: 21 per cent at the beginning of the decade, 29 per cent in the middle, and 23 per cent in the late seventies. Between 1960 and 1980, the share of capital invested directly in the South *fell* (from 60 to 47 per cent in the case of Japanese companies and from 40 to 25 per cent in the case of American firms). Naturally enough, there were considerable variations and flows were very unevenly distributed. The USA 'exported' 50 per cent of all direct transnational investments, and Latin America 'imported' 50 per cent of all investments exported to the South.

In any case, in almost all developing countries, the flow of direct capital imports represents less than 3 per cent of all fixed capital formation (2.1 per cent in Brazil for example). In short, it is negligible.[47] Nor is it true that the subsidiaries of multinational companies have a major share in the export sector of their host countries. The exceptions are Singapore (92 per cent) and the free trade zones, which exist for that purpose but which employ only one million workers world-

wide. Elsewhere, multinational companies are content with a modest role: 40 per cent in Brazil, 35 per cent in Mexico, 30 per cent in Korea, 10 per cent in Hong Kong and 5 per cent in India.

This is of course still a great deal, and the example set by the multinationals probably did encourage countries to export. They may even have led the way. 'New forms of investment' also have to be taken into account.[48] Multinationals based in a developed country may take a minority share-holding in local firms (state or private), and this may involve the transfer of technology or subcontracting agreements. But economic ownership, and therefore the initiative to invest capital and social labour, remains largely in the hands of the local ruling class. The examples of Brazil and Korea suggest that multinational subsidiaries are no more export-oriented than local firms. Indeed, the NICs are now becoming bases for new multinational companies.[49]

Multinational companies do not in fact look to the Third World simply in order to find cheap labour for central markets. They are primarily interested in finding markets there. Nor do they simply establish workshop subsidiaries (the 'world market factories' of the 'new international division of labour' orthodoxy). They tend, rather, to establish 'relay-subsidiaries', producing and selling on the spot.[50]

In both 1971 and 1981, CERM carried out surveys in which major French companies were asked why they had established foreign subsidiaries.[51] The majority (87 per cent of all respondents in 1971; 72 per cent in 1981) said that they wanted to establish their presence in an important market. The second reason they gave was equally significant; 31 per cent said in 1971 (38 per cent in 1981) that they invested in Third World countries because 'local producers are protected by local governments.' This, no doubt, is one of the Beast's ruses: it is import-substitution policies which 'cause' the new international division of labour. 'Reducing wage costs' was only the eighth most popular answer, but the number of companies giving this as their reason doubled between 1971 and 1981 (28 per cent, as against 15 per cent). But within the NICs in particular? The answers were broadly similar ... with some variations. In 1981, only 58 per cent of all companies said 'markets', whereas 40 per cent now mentioned protectionism (which proves that this is a good way to increase the number of industrial jobs!). 'Reducing wage costs' was now the fifth most common reason (23 per cent), and 're-exporting to countries other than France' was the seventh (19 per cent).

We therefore have to agree with Madeuf and Ominami when they conclude that, '*In a context dominated by Fordism, even if it is in crisis, it is difficult to break the link between valorization and realization. Most direct investment in the Third World is governed by the logic of the international diffusion of Fordism, which presupposes the simultaneous expansion of productivity and real wages.*'[52] We do, however, have to add one qualification: it is *consumption* that has to be linked to the rise in productivity. In the North, that condition was met by monopolistic regulation of wage relations. In the South it can be met (and has been met) by an increase in the income of the middle class alone, provided that the middle class is sufficiently large.

Whilst the international division of labour between countries does not result from the international division of labour within companies,[53] the latter does obey *the logic of peripheral Fordism*: plants (which are planned in the centre and tooled up by the centre) are set up *both* to provide access to a growing market (this consideration applies to most investment in Brazil: it is probably less so in Korea) *and* so as to reduce costs, including the cost of re-exporting.

The Example of the Auto Industry

The case of the auto industry (which is analysed in detail in CEPREMAP's 1980 report[54]) exemplifies the combined logic of peripheral Fordism: import-substitution plus export-substitution.

The problem with car-assembly in type 3 regions outside the countries of the centre is that it requires a qualified labour-force and, more generally, semi-skilled male workers with some industrial experience. Large markets must also be close at hand, as cars cannot be transported as easily as T-shirts or pocket calculators. For the motor industry, the

ideal region-3 labour pool allows the labour-force to be reproduced cheaply, is close to markets, and provides skilled workers. In terms of the logic of Fordism, which links local consumption norms (and therefore wages) to productivity, finding such a region is rather like squaring the circle. Regions in economies which are 'too' dominated are out of the question, because there is no adequate local market. Given transport costs and the relatively minor share of the cost of labour-power in total costs, it is impossible to use Third World pools simply as 'bases for reexporting', even with the relative advantage of very low wages. Bearing these simple points in mind, two 'poor' forms of relocation therefore seemed possible.

First, replacing vehicle exports with the assembly of completely knocked down sets of parts. Vehicles for the local ruling class can then be assembled in Third World countries. This is an unsatisfactory alternative because of the loss of economies of scale and because of the cost of acclimatization. But since the importer-countries insist on local assembly, other forms of imports are often impossible. It is probably this consideration which determines this form of relocation.

Second, the marginal use of low-wage labour pools close to a central market as a base for assembling light vehicles which can be re-exported to the centre. *Deux chevaux* assembled in Galicia are, for instance, sold in France.

But two 'conceptual breakthroughs', both of them made by Ford, a company which truly merits its eponymous role, cast the problem in a totally new light in the seventies.

Considerable economies of scale had already been achieved by distributing branch circuit across Northwest Europe, with large plants producing standardized components for the entire European market. The key transfer-section was no longer final assembly, but component assembly (or even the manufacture of components) and engine assembly (engines, gear-boxes, axles). The proximity of markets, low regional costs, economies of scale and the concessions granted by the states which 'benefited' from the opening of the plants combined to dictate the choice of location.

The system would have remained internal to the industrialized countries if there had not emerged a new type of country: the 'dominated industrial country'. In the period 1960-70, the emergence of countries which were technically integrated into the world branch circuits of Fordism but which had not mastered its overall logic within an autonomous national framework and which had not assimilated its mode of social regulation helped to resolve the contradiction we described above. Here, Fordism could find both a working class and managerial elements; standards of living did not force up wages, but there was already a sizeable middle-class market. Most of the countries involved had authoritarian regimes: Spain at the end of the Franco period, Brazil, the countries of the 'immediate periphery', NICs emerging from the 'wider periphery' ....

The difficulty was that these countries had an eye to development and usually demanded a high rate of integration. They insisted, that is, that the final product must contain as many local inputs as possible. In extreme cases, they even expected companies to establish a national industry for them. In most of these countries the home market was too small for the advantages of local production to outweigh the loss of economies of scale, but relocation was the only way to avoid losing the market altogether. Besides, the export market for fully equipped factories was of considerable importance to two related branches in which motor companies are often involved: engineering and machine-tools.

Once again, Ford made the 'breakthrough' by reaching an agreement with Spain that laid the foundations for a new conception of relocation. It involved neither pure import-substitution for an inadequate local market nor the use of the country as a base for reexporting operations (which could not be justified because of the costs involved), but a combination of the two. Spain provided a market which was expanding even though norms of working-class consumption were low. Spain also agreed to accept a lower rate of integration (which removed the need to disperse production) in exchange for a clear commitment that the plants would be used to reexport certain components on a mass scale.

The 1972 'Preferential Interest Decree', otherwise known as 'The Ford Law', reduced the minimum rate of integration from 95 to 66 per cent. In exchange, Ford agreed to re-export two thirds of its total output and to increase its sales in Spain by no more than 10 per cent. Major facilities for importing machine-tools were also granted. Thanks to this agreement, Spain became the great 'Region 3' of the European motor industry. US companies were the main beneficiaries, and General Motors also set up local plants.

In Portugal, Renault negotiated a variant on the Ford Law. Four vehicle and engine plants were expanded or built, providing 13,000 jobs. The Portuguese government extended a degree of protection to the Renault subsidiary, whose share of the local market rose from 12 to 30 or 40 per cent. On the other hand, three-quarters of the 300,000 engines built were reexported to northern Europe.

In more general terms, the manufacturers estimated at the end of the seventies that this new relocation strategy would involve 15 per cent of world output within ten years. This will lead to the loss of 15 per cent of all jobs in manufacturing in the industrial centre; the expansion of conceptual and administrative employment in the tertiary sector of type 1 regions cannot offset this completely. If output remains constant, the balance-sheet of employment will be very negative for the centre. Unless, of course, the market, and especially the peripheral market expands. But that is another story, and we will come back to it later.

The Question of Finance

The above criticisms of the 'new international division of labour' orthodoxy do not alter the fact that the tripartite division of Fordism has *resulted in* an uneven distribution of activities. The former 'centre' has gradually been polarized between levels 1 and 2, whilst most NICs remain at level 3 despite some remarkable (and promising) breakthroughs to levels 2 and 1. The flow of international trade does tend to follow this division, to say nothing of the flow of patents and royalties.[55] The North exports level-1 and -2 products to the NICs; the NICs export level-3 products to the North and level-2 products to other countries in the South.