

# Reviews

## **THE NEW INTERNATIONAL DIVISION OF LABOUR**

**J Frobel, J Heinrichs, O Kreye.**

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One of the main features of post World War II capitalism is the emergence and spread of activities by multinational corporations. A more recent development, in the last fifteen years, has been the rapid increase in the share of foreign investments by German and Japanese Multinational Companies.

Frobel, Heinrichs and Kreye use devel-

opments in the location of production by German companies to arrive at a general theory of imperialism linked to a theory of international production; the novel and best feature of the book is due to the fact that the authors relate both these theories to worldwide developments in the productive processes.

The main thesis of the book is that, in their search for profitable accumulation, companies are engaging in a worldwide reorganisation of their manufacturing activities leading to extensive relocation of production. The result of this relocation is a 'new international division of labour meaning that tendency in world capitalism which: (a) undermines the traditional division of the world into a few industrialised countries on the one hand, and a great majority of developing countries integrated into the world economy solely as raw materials producers on the other, and (b) compels the increasing subdivision of manufacturing processes into a number of partial operations at different industrial sites throughout the world.'

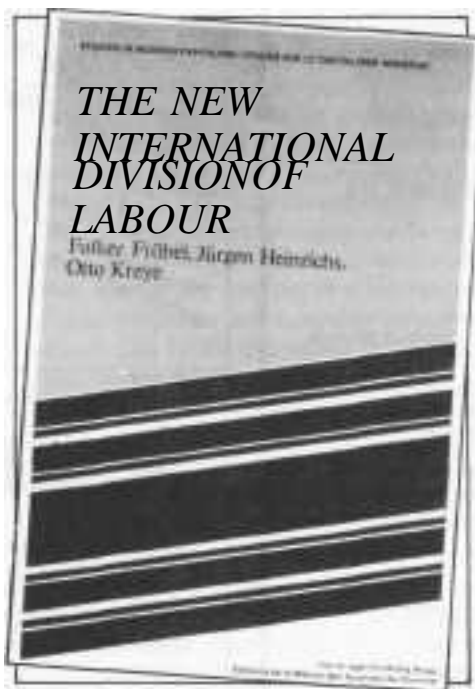
The extent and direction of such relocation is determined by several pre-conditions related to the labour market and the productive process in particular: (a) a huge reservoir of 'cheap' labour power provided by the underdeveloped countries; (b) division of the productive process into a series of fragmented operations to be carried out with very low levels of skill; (c) developments in the techniques of transport and communications as well as in the management of production which allow the possibility of some or all parts of the labour process to be carried out at any site almost completely independently from the location of raw materials and/or markets.

The novel development in this new phase of capitalism consists — according to Froebel *et al* — in its implementation 'through the worldwide organised allocation of the elements of the production process to the cheapest or most adapted labour force which can be found.' (p41)

Progress in techniques and costs of transport has led to the development of 'world market factories' usually located in 'Free Productive Zones'. World market factories process, with local labour power, raw materials or semi-manufactured products imported from anywhere in the world; the products will then be exported to any country in the world (often including the country of origin of the multinational company responsible for the investment). Usually only elementary and labour intensive components of the productive process are located in 'Free Productive Zones'; almost

any zone is therefore suitable for the development of 'world market factories' provided there is a large reservoir of labour force and a minimum level of infrastructure; this means that companies can choose and change sites, thus playing one site (and often country) against another with the aim of gaining extra benefits in terms of infrastructures supplied by the state — such as grants and/or tax concessions.

The new international division of labour produces various consequences for the advanced countries among which are increases in structural unemployment and import penetration as the world economy becomes more integrated. As regards the underdeveloped countries, this new phase of capitalism is unlikely to lead to widespread



industrialisation for a variety of reasons among which is the fact that they are usually allocated only specific elementary subprocesses of production. The availability of a cheap reservoir of unskilled labour is also likely to delay the mechanisation of productive processes throughout the world.

This then is the crux of Froebel *et al*'s thesis, which is very clearly developed by the use of three case studies. The first one deals with developments in the textile and clothing industry in Federal Germany; the relocation of part or the whole of its productive process in underdeveloped countries and the resulting negative consequences for Germany's trade and employment structure. The second case study deals with employment effects in Federal Germany and various underdeveloped countries in a variety of manufacturing sectors; this study is based on a survey of companies and relates

to their activities during the period 1961-76. The third case study relates to working conditions in world market factories as well as social and economic effects following the establishment of Free Productive Zones.

The treatment of these three case studies is rather uneven; the first one seems the best since it is the most successful in blending together theoretical treatment and empirical results.

The book must be considered a very good attempt at a Marxist explanation of both the location of international production and of imperialism based on the labour process and labour market; however as a theory of international production, Froebel *et al*'s effort is not fully successful. Their theory is, in fact, very plausible in explaining the location of production in underdeveloped countries but not necessarily in developed ones; this is not a minor point since a very considerable proportion of foreign direct investment by world multinationals takes place in advanced capitalist economies. For example, in 1971 the percentage of foreign investment in manufacturing located in developed countries by UK-based companies was 81%; corresponding figures for German, Japanese and USA firms were 72%, 17% and 83% respectively.

From a strictly formal point of view the book would have gained by fewer repetitions and the use of Appendices for some material currently in the text; the English translation seems to suffer from the use of some 'unusual' expressions (eg 'garment' rather than 'clothing' industry).

But on the whole it is a very stimulating book; though their study refers to West Germany Froebel *et al*'s general theory as well as many specific points are applicable to other countries. Of particular interest to Britain is their analysis of the negative consequences of the relocation of production on the structure of trade and employment of the investing country. And indeed one would expect much more serious consequences for Britain than for Germany given the relative scale of overseas involvement by the two countries. It is worth recalling that, after all, the value of overseas production by UK-based firms as a percentage of UK Gross Domestic Product in 1971 was estimated to be about 50%; the corresponding figure for West Germany was only 8%. A study of the British textile industry similar to the one presented by Froebel *et al* for Germany is bound to give quite interesting results for the structure of employment and trade in British textiles.

The book is now available in paperback and the lower cost might stimulate a wider readership which the work fully deserves.

**Grazia Ietto Gillies**