



GLOBAL SHIFT

SEVENTH EDITION

Mapping the Changing Contours
of the World Economy

PETER DICKEN

GLOBAL SHIFT

7TH EDITION

For Valerie, with love

GLOBAL SHIFT

MAPPING THE CHANGING CONTOURS OF THE WORLD ECONOMY

PETER DICKEN | 7TH EDITION



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Praise for Global Shift

SEVENTH EDITION

“Given the rapid changes in the configuration of the global economy, *Global Shift, Seventh Edition*, will be welcomed by academicians and assigned in graduate and undergraduate classes. While retaining the strengths that have made prior editions much adopted around the world, the seventh edition has been updated to weave in such important new topics as the impact of the recent global financial crisis, the global smartphone infrastructure, climate change, corporate social responsibility, and national and international inequality. Readable case studies and excellent figures and graphs provide students with the empirical illustrations they need to understand the larger theoretical concepts. A remarkable update by the foremost economic geographer of globalization that should be on everyone’s reading list.”

—Martin Kenney, Department of Human Ecology,
University of California, Davis; Senior Project Director,
Berkeley Roundtable on the International Economy

“*Global Shift, Seventh Edition*, continues to be a key resource for understanding the complexity of the global economy and the ongoing, often contentious negotiations among nations, corporations and locales. In addition to clearly outlining larger institutional and structural processes, Dicken provides a wealth of detailed new empirical material to explain how the outcomes of the global economy manifest in specific contexts. The book’s diverse concrete examples – such as the global production network of iPhones or corporate strategies to shield profits from taxation – are drawn directly from the headlines. An extremely valuable text for all courses on economic geography, globalization, international business and economics.”

—Matthew Zook, Department of Geography, University of Kentucky

“Given the dizzying pace of change in the global economy, it’s more important than ever to have a comprehensive point of reference to allow us to understand and map the transformations around us. *Global Shift, Seventh Edition*, is that book.

While continuing to add new material on countries, sectors and the policies that shape global industries, *Global Shift* also provides a solid analytical framework that helps the reader navigate the new terrain. And its great graphs, diagrams and charts are a visual delight. If you had to use just one book to convey globalization's promise and perils, this is the book I would recommend."

—Gary Gereffi, Department of Sociology and Center on Globalization,
Governance and Competitiveness, Duke University

"Not just an update, the seventh edition of *Global Shift* offers compelling theoretical and empirical insights as it takes on the critical global political-economic processes and debates of our time. Dicken provides a welcome synthesis and interrogation of prevailing theories of the global economy and addresses such fraught issues as the 2008 financial crisis and the intensification of inequality. An amazing resource."

—Erica Schoenberger, Department of Geography and Environmental
Engineering, The Johns Hopkins University

"*Global Shift* defines the gold standard in the field of globalization studies, which it has had a large hand in defining. The revised seventh edition continues to accomplish what no other book in the field does – it presents a grounded but broad view of globalization, judiciously assesses the key debates and recognizes (but never drowns in) complexity. *Global Shift* combines an authoritative voice with meticulous documentation and outstanding illustrations; it's the trusted source."

—Jamie Peck, Canada Research Chair in Urban and Regional Political Economy,
University of British Columbia

"I used this text in my undergraduate Global Apparel Industry Dynamics class. It is a valuable text that explains the critical components and dynamics of the global economy in a straightforward and engaging style that is accessible to undergraduates as well as graduates. Dicken provides important historical perspectives on the evolution of the global economy while keeping abreast of recent developments. Key industries are examined in a relevant manner, adding an extra dimension to the work. *Global Shift* will equip any young graduate/executive with important insights into the global characteristics of business environments."

—Peter Kilduff, Professor and Chair, Department of Apparel Merchandising and
Management, California State Polytechnic University, Pomona

"*Global Shift* has become the de facto textbook for middle- and upper-level courses in economic geography. Dicken synthesizes the economic, political and social complexities of globalization in highly accessible prose. The case studies of various industries contribute to a better understanding of the processes of globalization."

—Marc Vachon, Department of Geography, University of Winnipeg

SIXTH EDITION

“A magnificent achievement. Since the publication of the first edition of *Global Shift* in 1986, Peter Dicken has constructed in successive editions a phenomenal record of the changing geography of capital accumulation on a world scale. This wholly new sixth edition of 2011 is an essential companion for anyone concerned to understand the rapid geographical shifts occurring in the world’s economic power relations in these stressful and troubled times.”

—David Harvey, Distinguished Professor, CUNY Graduate Center, New York

“A masterful new edition of a masterful text. Once again, Peter Dicken is at the cutting edge of the analysis of economic globalization and global trends. *Global Shift* is the authoritative text on these issues.”

—David Held, Co-Director, Centre for the Study of Global Governance,
London School of Economics and Political Science

“*Global Shift, Sixth Edition*, continues to deconstruct globalization to show that distance (economic geography) still matters. Dicken uses insights from international business research to demonstrate that world business activity is more regional than global. Multinational enterprises are at the hub of global production networks and service delivery; they interact with governments and generally act as agents of economic development. In short, economic geography and international business are closely aligned in their approach to globalization.”

—Alan Rugman, Henley Business School, University of Reading, UK

FIFTH EDITION

“A comprehensive, balanced, thorough, interdisciplinary review of one of the critical issues of our time. A ‘must’ for anyone interested in globalization.”

—Stephen J. Kobrin, The Wharton School, University of Pennsylvania

“Impressive in the extent of empirical research, *Global Shift* successfully captures the historical continuities and basic changes marking the world economy. Peter Dicken’s new edition is a vividly written guide to globalizing processes.”

—James H. Mittelman, School of International Service, American University

“*Global Shift, Fifth Edition*, remains the benchmark for studies of the geography of globalization. In accessible prose, Dicken presents tightly argued propositions about the emerging economic landscape. The fields of international business, economic geography, international relations, and economic sociology can profitably use the book to communicate the fundamentals of globalization. Clear, effective, and engaging case studies are

ideal for classroom use. There is no other text with such a broad reach or appeal for anyone interested in understanding the contemporary international economy.”

—Amy K. Glasmeier, Department of Geography,
The Pennsylvania State University

“*Global Shift* just keeps on getting better. There is no other source that gives you the full story on globalization in such a fluent and authoritative way. This book is not just recommended, but essential.”

—Nigel Thrift, Vice-Chancellor, University of Warwick, UK

“With this edition of *Global Shift*, Dicken confirms his mastery as one of the preeminent authorities in the study of globalization. This careful and penetrating analysis of the complexities of a unifying world should prove a seminal text for students, scholars, and policymakers. If you wish to explore beyond ‘flatland,’ I can’t recommend a better source.”

—William E. Halal, Department of Management Science,
George Washington University

“The fifth edition of *Global Shift* remains at the top of the ever more crowded field of globalization texts. Peter Dicken is a master of weaving together new theoretical arguments, visually compelling charts and graphs, and insightful industry case studies. If you had to use just one book to convey globalization’s promise and perils, this is the book I would recommend.”

—Gary Gereffi, Department of Sociology and Center on Globalization,
Governance and Competitiveness, Duke University

FOURTH EDITION

“Dicken identifies states and transnational corporations as the two key actors in the multiple processes of restructuring and institutionalization that we usually call the global economy. In so doing, he has written a political economy of globalization and produced a far more comprehensive account than is typically the case in books about the global economy, most of which tend to confine the analysis to firms and markets.”

—Saskia Sassen, Ralph Lewis Professor of Sociology, The University of Chicago

“In these uncertain times, it is reassuring to have Peter Dicken as our guide to the world economy. No other commentator has his eye equally attuned to both the big picture of global corporations and capital flows, and the fascinating stories of local places, people, and industries. In this new edition of *Global Shift*, Dicken shows us once again why he has become one of the most respected social scientists studying the world of global business and economy.”

—Meric Gertler, Department of Geography, University of Toronto, Canada

“The book presents not only a thorough and balanced description and analysis of globalization, but also a nuanced explanation of the globalization–antiglobalization debates and provocative examination of the distributional consequences of globalization. I will certainly continue to use *Global Shift* in my graduate seminar. In fact, I am contemplating using it in my introductory economic geography course as well.”

—Robin Leichenko in *Economic Geography*

“A solid 640-page text on the phenomena of globalization in the modern age ... provides detailed case studies of crucial global industries, more than 200 updated figures and tables, and well serves to broaden and illustrate the critical points toward understanding the world’s economic future. This is an ideal text for classroom instruction and recommended to the attention of non-specialist general readers with an interest in understanding the complexities of global economics.”

—*Library Bookwatch*

“One of human geography’s minuscule number of ambassadorial texts. The social sciences, the humanities, and international business studies will be much poorer when *Global Shift* ceases emerging as regularly as a Tissot watch keeps time.”

—Kris Olds in *Progress in Human Geography*

THIRD EDITION

“*Global Shift* has become a landmark and a classic. It remains a popular text whose strength lies in its clear presentation and analysis of empirical data and in its focus on the production chain. This alone makes it a welcome corrective for the many speculative works on globalization based, as Dicken says, more ‘on rhetoric and hype than on reality’.”

—Paula Cerni in *Review of Radical Political Economics*

“By far the best and most readable account of the past three decades of economic globalization. Replete with maps, graphs, and tables, the book offers the clearest and most complete exposition of the scale and depth of the transformation currently affecting all societies.”

—John O’Loughlin in *Lingua Franca*

“A first-rate and eminently readable work, with a unique blend of empirical and conceptual material and an analytical depth rarely achieved in textbooks. The third edition of *Global Shift* continues to be one of the most useful, interesting, and readable texts in the field of economic geography. I thoroughly recommend it both to students of geography and to readers in other disciplines who are interested in seeing what contemporary economic geography is really all about.”

—John Holmes, Department of Geography,
Queen’s University, Kingston, Ontario, Canada

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List of Abbreviations

ABS	Advanced business services
AFTA	ASEAN Free Trade Agreement
ANCOM	Andean Common Market
APEC	Asia-Pacific Economic Cooperation forum
ASEAN	Association of South East Asian Nations
B2B	Business-to-business
B2C	Business-to-consumer
BAIC	Beijing Automotive Industrial Corporation
BIS	Bank for International Settlements
BRIC	Brazil, Russia, India, China
BSE	Bovine spongiform encephalopathy
CA	Controlled atmosphere
CAFTA	Central American Free Trade Agreement
CAP	Common Agricultural Policy (EU)
CARICOM	Caribbean Community
CCC	Clean Clothes Campaign
CFC	Chlorofluorocarbon
CIS	Commonwealth of Independent States
CIVETS	Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa
CKD	Completely Knocked Down
CME	Coordinated market economy
CMEA	Council for Mutual Economic Assistance
CRA	Contingency Reserve Arrangement (BRICs)
CSO	Civil society organization
CSR	Corporate social responsibility
CUSFTA	Canada–US Free Trade Agreement
DC	Distribution centre
ECB	European Central Bank
ECE	Eastern and Central Europe
EDB	Economic Development Board (Singapore)
EDI	Electronic Data Interchange
EEC	European Economic Community
EFTA	European Free Trade Association

EMU	European Monetary Union
EOI	Export-oriented industrialization
EPB	Economic Planning Board (South Korea)
EPC	Electronic product code
EPOS	Electronic point of sale
EPZ	Export processing zone
ETDZ	Economic and Technological Development Zone (China)
ETI	Ethical Trading Initiative
EU	European Union
FAW	First Auto Works
FCCC	Framework Convention on Climate Change
FDI	Foreign direct investment
FSB	Financial Stability Board
FTAA	Free Trade Area of the Americas
G7	Canada, France, Germany, Italy, Japan, UK, USA
G8	G7 plus Russia
G20	Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, UK, USA, EU
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Global commodity chain
GCSO	Global civil society organization
GDP	Gross domestic product
GFA	Global Framework Agreement
GHG	Greenhouse gas
GII	Global Innovation Index
GM	Genetic modification
GNC	Global network connectivity
GNH	Gross national happiness
GNI	Gross national income
GNP	Gross national product
GPN	Global production network
GSM	Global social movement
GSP	Generalized system of preferences
GVC	Global value chain
HVF	High-value food
IATA	International Air Transport Association
IC	Integrated circuit
ICAO	International Civil Aviation Organization
ICFTU	International Confederation of Free Trade Unions
ICSR	International corporate social responsibility
ICT	Information and communications technology

IFI	International financial institutions
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
IPCC	Intergovernmental Panel on Climate Change
ISI	Import-substituting industrialization
IT	Information technology
ITU	International Telecommunication Union
JIT	Just-in-time
JLR	Jaguar Land Rover
LAFTA	Latin American Free Trade Area
LAIA	Latin American Integration Association
LBL	Labour Behind the Label
LDC	Less developed country
LETS	Local exchange trading system
LME	Liberal market economy
LSP	Logistics services provider
MAI	Multinational Agreement on Investment
MBS	Mortgage-based securities
METI	Ministry for Economy, Trade and Industry (Japan)
MFA	Multi-Fibre Arrangement
MFN	Most-favoured nation
MINT	Mexico, Indonesia, Nigeria, Turkey
MIST	Mexico, Indonesia, South Korea, Turkey
MITI	Ministry of International Trade and Industry (Japan)
MNC	Multinational corporation
MPI	Multidimensional Poverty Index
MSW	Municipal solid waste
MVMA	Motor Vehicle Manufacturers' Association
NAFTA	North American Free Trade Agreement
NDB	New Development Bank (BRICs)
NEM	Non-equity modes of international production
NGO	Non-governmental organization
NIE	Newly Industrializing Economy
NOC	National Oil Company
NTB	Non-tariff barrier
OECD	Organization for Economic Cooperation and Development
OFC	Offshore financial centre
OICA	International Organization of Motor Vehicle Manufacturers
OPEC	Organization of the Petroleum Exporting Countries
OPT	Outward Processing Trade
PGST	Permanent global summertime
PLC	Product life cycle

ppm	Parts per million
PRC	People's Republic of China
PTA	Preferential trading arrangement
QE	Quantitative easing
R&D	Research and development
RFID	Radio frequency identification
RIA	Regional integration agreement
RTA	Regional trade agreement
SAIC	Shanghai Automotive Industrial Corporation
SEZ	Special Economic Zone (China)
SME	Small and medium-size enterprises
SOE	State-owned enterprise
SPM	Solid particulate matter
SSA	Sub-Saharan Africa
SUV	Sports utility vehicle
SWF	Sovereign wealth fund
TCC	Transnational capitalist class
TCS	Tata Consultancy Services
TEU	Treaty on European Union
TNC	Transnational corporation
TNI	Transnationality Index
TPP	Trans-Pacific Partnership
TRIMS	Trade-Related Investment Measures
TRIPS	Trade-Related Intellectual Property Rights
TTIP	Transatlantic Trade and Investment Partnership
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
VOIP	Voice Over Internet Protocol
WCN	World city network
WHO	World Health Organization
WTO	World Trade Organization
WWW	World Wide Web

Preface to the Seventh Edition

What began, more than 30 years ago, as a one-off attempt to make sense of the changing geographies of the world economy has evolved, rather unexpectedly, into a longitudinal global project. Each successive edition, appearing at roughly four- or five-year intervals, has come to constitute a temporal and spatial ‘marker’ of the empirical changes in the configuration of the global economy and of changing interpretations of, and attitudes towards, ‘globalization’ and its effects on people and places.

Such a longitudinal perspective emphasizes the dangers of making hasty judgments about immediate events and extrapolating them into the future. What may seem to be dramatic changes at one moment in time can turn out to be ephemeral perturbations when seen from a longer-term perspective. Indeed, underlying the turbulent surface of change there is a great deal of continuity: of slower moving processes. Like the tectonic processes that reshape the earth’s physical crust, their build-up may take long periods of time before we become fully aware of the true magnitude of change. The plate tectonics of the global economic map, therefore, are just as difficult to predict, but also as potentially catastrophic, as those of the earth’s physical map. It is this interplay between the short and the long term that makes a project like this so challenging.

The basic principles on which *Global Shift* is based derive from my deep belief that we need:

- an approach to globalization that is firmly *grounded* in the real world but which is not merely empirically descriptive;
- an approach that engages with the theoretical and ideological/political issues of globalization, drawing upon a wide range of literature and ideas;
- an approach that allows us to adopt a more considered perspective on how the immediate ‘events of the moment’ fit into the longer-term underlying processes of global economic change so that we are not swept away by instant predictions about the future;

- an approach that recognizes that globalization is a profoundly complex set of interlocking economic, political and social processes that operate in highly uneven ways over space and time and in ways that are not easily predictable but which have immense effects (both positive and negative) on people's lives.

With these principles in mind, the basic aim of this Seventh Edition, as of its six predecessors, is to provide a clear path through the dense thickets of what are large, often conflicting, often confusing, debates and arguments about globalization; to show how the global economy works and what its effects are. It tries to separate the reality from the hype; to provide a balanced, grounded – but emphatically not an uncritical – perspective on a topic often richer in rhetoric than reality.

What is new about the Seventh Edition? As in all the previous editions, I have set out to produce the most up-to-date and comprehensive account of economic–geographic globalization. Hence, all the empirical data have been fully updated using the latest available sources as of early 2014. (Of course, anybody who has worked on the global scale will appreciate that this inevitably means that the 'latest' data always lag behind what we would ideally like to have.) The illustrations, which form such an integral element of this book, are, for the first time, in full colour, which greatly enhances their effectiveness. Each is either completely new or has been redesigned. Every chapter has been completely revised and extensively rewritten not only to take into account new empirical developments, but also to incorporate new ideas on the shaping and reshaping of production, distribution and consumption in the global economy. There is specific discussion of some of the key issues that have come to the fore in recent years, including:

- the continuing impact of the 2008 global financial crisis, an issue that permeates all of the chapters to a greater or lesser degree;
- the growing controversy over the tax-avoiding strategies of transnational corporations and other aspects of corporate social responsibility within increasingly interconnected and shifting business networks;
- the continuing debates over economic governance institutions and policies at the global, regional and national scales in the spheres of finance, trade and the environment;
- the fundamental issues of employment, unemployment, inequality, poverty and development, both between and within developed and developing countries;
- the real relevance of the so-called BRICs (and other over-simplifying categorizations);
- the eurozone crisis and broader issues and conflicts within the EU.

One major structural change has been made for the Seventh Edition. The sectoral case studies that made up Part Three of previous editions have been moved to the end to become Part Four. The previous Part Four ('Winning and Losing in the Global Economy') becomes Part Three, to create a much more direct connection

between the discussion of the *processes* of global shift (Part Two) and the *outcomes* of these processes. This change, I think, improves the coherence and flow of the argument – at least I hope so.

Otherwise, *Global Shift* continues to be both a *cross-disciplinary* and a *multilevel* book. It deliberately spans, and draws from, a wide range of academic disciplines, including business and management, development studies, economics, economic geography, political science and sociology. At the same time, the book is designed for use at different levels. On the one hand, my aim is to make the book accessible to readers without any prior specialist knowledge by ensuring that all key terms are clearly defined, by avoiding excessive jargon and by making extensive use of graphics. On the other hand, for the specialist reader, each chapter contains end-of-chapter notes that connect to the extremely extensive and up-to-date research bibliography. Through such means, the book should be useful to undergraduate and graduate students and researchers, as well as to policy makers and to people in business. Certainly my experience of the reception of previous editions suggests that this is so.

With each successive edition, my debt to friends, colleagues and users of the book has widened and deepened. Indeed, without a rich network of friends and colleagues from all round the world, a book like this simply could not exist. To all of them, I offer my sincere thanks and I hope they will forgive me for not mentioning them all by name. However, several people deserve special mention. First in line must be Nick Scarle, Senior Cartographer at the University of Manchester. Nick has been responsible for designing and producing all the illustrations for all seven editions. Always superb, they have simply got better and better. Indeed, this book could not exist as it does without Nick's creativity, commitment and enthusiasm. I am immensely grateful to him. Second, I continue to rely on – and to appreciate so very much – the stimulus and friendship of Neil Coe and Henry Yeung, forged through long collaboration on global production networks at the University of Manchester (though both are now at the National University of Singapore). They, together with Martin Hess, Roger Lee, Anders Malmberg, Liu Weidong, Jamie Peck, Adam Tickell, Kevin Ward and Ray Hudson, amongst many others, provide continuing support and friendship. I particularly want to thank the following colleagues for providing material and inputs for specific topics: Neil Coe (Chapters 3, 17), Martin Hess (Chapter 3), Mark Graham, Matt Zook and Martin Dodge (Chapter 4), Liu Weidong (Chapters 6, 10, 15), Gavin Bridge (Chapter 12), and James Faulconbridge (Chapter 16). Henry Yeung (NUS), David Inglis (Exeter University) and Richard Woodward (Hull University) have created invaluable guides to supplemental reading material for the website, while Fiona Moore (Royal Holloway University of London) has again done an excellent job in devising and producing the support materials for business and management users of the book. Of course, none of them bears responsibility for any errors or misinterpretations on my part.

I am, as ever, extremely grateful to the team at SAGE Publications in London. SAGE is a publisher for whom I am proud to write. In particular, my long-standing editor, Robert Rojek, is the most caring, encouraging and stimulating publisher and friend. Katherine Haw has, yet again, lavished enormous skill and care on creating a visually stimulating book. I would also like to thank Keri Dickens, Izzi Drury and Michael Ainsley for all their help and enthusiasm. Thanks, too, to Seymour Weingarten and the staff at The Guilford Press in New York, especially C. Deborah Laughton.

However, at the end of the day, as the saying goes, it all ultimately comes back to the people who matter to me most of all: my family. Michael, Sally, Jack and Harry in Switzerland, Christopher and Annika in Germany are all such great fun to be with. And then, above all, there is Valerie, who makes everything worthwhile and who (still) does so with so much love, humour and tolerance. This is for her.

Peter Dicken
Manchester, 2014

About the Companion Website

GLOBAL SHIFT, 7th edition, is supported by a companion website including a range of additional teaching and learning resources.

Visit the companion website to take advantage of online resources, including:



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- **Questions** that test your understanding of the Applied Case Study and **Further Reading** for each chapter for **Business, Management** and **Organization Studies**
- Suggested **Further Reading** for each chapter for **Geography, Politics** and **Sociology**; with an explanation of why each reading is important and relevant
- A set of **interactive flashcards**, so you can always test your knowledge of key terms

In addition, there are Applied Case Studies for each chapter and video overviews by Peter Dicken of each section:

1 What in the World Is Going On?

- **Video:** Peter Dicken introduces the new, 7th edition of *Global Shift*: How do we understand the complexity of globalization?: five approaches
- An **Applied Case Study**: How globalized was the world between 1880 and 1914? What are the differences between then and now?

PART ONE: THE CHANGING CONTOURS OF THE GLOBAL ECONOMY

2 The Centre of Gravity Shifts: Transforming the Geographies of the Global Economy

- **Video:** Peter Dicken introduces Part One of the new, 7th edition of *Global Shift*: How the world is changing; patterns of trade, investment and production; the rise and fall of economies – all understood in the long-term context
- An **Applied Case Study**: How important is the free circulation of labour to the formation of global networks? **Hamada's 'Under the Silk Banner'**

PART TWO: PROCESSES OF GLOBAL SHIFT

3 Tangled Webs: Unravelling Complexity in the Global Economy

- **Video:** Peter Dicken introduces Part Two of the new, 7th edition of *Global Shift*: How is change produced, what are the underlying processes, who are the key actors and institutions, who has the power, how do they all interact?
- An **Applied Case Study:** How does a global civil society organization use global networks to promote and achieve its aims? **Oxfam**

4 Technological Change: ‘Gales of Creative Destruction’

- An **Applied Case Study:** What can a transnational social democracy movement show about the development of global networks and the unevenness of power relations? **www.indymedia.org**

5 Transnational Corporations: The Primary ‘Movers and Shapers’ of the Global Economy

- An **Applied Case Study:** How many ways can a transnational corporation be transnational, how diverse can the strategies be to accomplish this end? **ZwoBank and BMW**

6 The State *Really Does* Matter

- An **Applied Case Study:** How does the state act globally outside of formal policy making and economic activity? **The Chinese diaspora**

PART THREE: WINNING AND LOSING IN THE GLOBAL ECONOMY

7 The Uneasy Relationship Between Transnational Corporations and States: Dynamics of Conflict and Collaboration

- **Video:** Peter Dicken introduces Part Three of the new, 7th edition of *Global Shift*: Winning and losing in the global economy, the complex relations between transnational corporations and states

- An **Applied Case Study**: How does a company develop a ‘stateless’ image, and yet continue to have relationships with states, particularly with its home country? **Deutsche Bank**

8 ‘Capturing Value’ within Global Production Networks

- An **Applied Case Study**: How complex is the relationship for transnational corporations between global and local within global production networks? **McDonalds**

9 Destroying Value? Environmental Impacts of Global Production Networks

- An **Applied Case Study**: How does social identity – factors like gender, class and ethnic identity – relate to how individuals recycle? **Waste**

10 Winning and Losing: Where You Live Really Matters

- An **Applied Case Study**: Does the present period of globalization show the emergence of a transnational elite, or ‘transnational capitalist class’? **German business people and diplomats in London**

11 Making the World a Better Place

- **Video**: Peter Dicken introduces Part Four of the new, 7th edition of *Global Shift*: Variation across sectors – the processes of globalization involve the same actors but differ from case to case, sector to sector
- An **Applied Case Study**: What are the ongoing arguments for and against micro-finance as a tool for alleviating global poverty? **Micro-finance**

PART FOUR: THE PICTURE IN DIFFERENT SECTORS

12 ‘Making Holes in the Ground’: The Extractive Industries

- An **Applied Case Study**: Is taking materials out of the ground a neutral activity, or one which can be undertaken in more or less ethical ways? **Shell**

13 'We Are What We Eat': The Agro-food Industries

- An **Applied Case Study**: How are labels and narratives used by pro- and anti-genetic-modification factions to influence consumer choice? **GM foods**

14 'Fabric-ating Fashion': The Clothing Industries

- An **Applied Case Study**: How is an African exporter influenced, formally and informally, by global and local debates about gender, labour and centre-periphery relations? **Lesotho**

15 'Wheels of Change': The Automobile Industry

- An **Applied Case Study**: What advantages and disadvantages has the most recent period of globalization – since the 2008 global recession – brought? **General Motors**

16 'Making the World Go Round': Advanced Business Services

- An **Applied Case Study**: How do 'global cities' act as hubs of networks developed by transnational businesses, migrants, activists and others in global production networks? **London**

17 'Making the Connections, Moving the Goods': Logistics and Distribution Services

- An **Applied Case Study**: Is e-tailing a completely different and revolutionary development from conventional forms of retailing? **Amazon.com**

One

WHAT IN THE WORLD IS GOING ON?



CHAPTER OUTLINE

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THE END OF THE WORLD AS WE KNEW IT?

During the past 50 years the world economy has been punctuated by a series of crises. Many of these turned out to be quite limited and short-lived in their impact, despite fears expressed at the time. Some, however, notably the oil-related recessions of 1973–9 and the East Asian financial collapse of 1997–8, were very large indeed, although neither of them came close to matching the deep world depression of the 1930s. And recovery eventually occurred. Meanwhile, during the last three decades of the twentieth century the *globalization* of the world economy developed and intensified in ways that were *qualitatively* very different from those of earlier periods. In the process, many of the things we used in our daily lives became derived from an increasingly complex geography of production, distribution and consumption, whose geographical scale became vastly more extensive and whose choreography became increasingly intricate. Most products, indeed, developed such a complex geography – with parts being made in different countries and then assembled somewhere else – that labels of origin began to lose their meaning. Overall, such globalization increasingly came to be seen by many as the ‘natural order’: an inevitable and inexorable process of *increasing geographical spread* and *increasing functional integration* between economic activities (Figure 1.1).

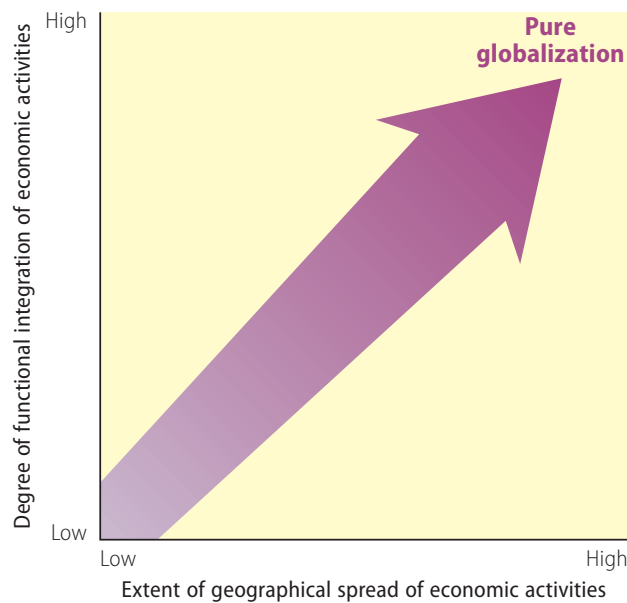


Figure 1.1 Globalization as inevitable trajectory

And then ...

On 15 September 2008, the fourth largest US investment bank, Lehman Brothers, collapsed. It was an unprecedented event, heralding the biggest global economic crisis since the 1930s. And this crisis is still ongoing. The repercussions of the financial collapse that began with the disaster of the US ‘sub-prime’ mortgage market continue to be felt throughout the world, although to widely different degrees, as we will see throughout this book. Since 2008, for example, economic growth rates (production, trade, investment) have plummeted in most of the developed world, notably in parts of Europe but also in North America. In all these cases, job losses have been huge, and the fall in incomes of the majority of the population has been so serious as to place many more people and households on the margins of survival. At the same time, the incomes and wealth of the top 1 per cent have continued to increase even more astronomically, creating enormous social tensions and an upsurge of popular resistance in many countries. The most obvious recent example is the Occupy movement, which first emerged in late 2011 as ‘Occupy Wall Street’, using ‘We are the 99%’ as its rallying cry. In comparison, some developing countries – the so-called ‘emerging markets’ – have experienced relatively high growth rates, leading some observers to talk of the emergence of a ‘two-speed world economy’. But that broad-brush picture, though valid in some respects, masks continuing and deep-seated issues of poverty and deprivation throughout the world. The notion that developing countries can somehow ‘decouple’ from the effects of financial crisis in developed countries is demonstrably far from the truth.

To individual citizens, wherever they live, the most obvious foci of concern are those directly affecting their daily activities: making a living, acquiring the

necessities of life, providing the means for their children to sustain their future. In the industrialized countries, there is fear – very much intensified by the current financial crisis – that the dual (and connected forces) of technological change and global shifts in the location of economic activities are adversely transforming employment prospects. The continuing waves of concern about the outsourcing and offshoring of jobs, for example in the IT service industries (notably, though not exclusively, to India), or the more general fear that manufacturing jobs are being sucked into a newly emergent China or into other emerging economies, suddenly growing at breakneck speed, are only the most obvious examples of such fears. Such fears are often exacerbated by concerns about immigration, especially among lower-skilled workers who perceive, correctly or incorrectly, a double squeeze of jobs moving abroad and those at home being taken by immigrants on low wages. But the problems of the industrialized countries pale into insignificance when set against those of the very poorest countries. The development gap persists and, indeed, continues to widen alarmingly.

Hence, the world continues to struggle to cope with the economic, social and political fallout of the unravelling of the global financial system which occurred with such sudden, and largely unanticipated, force in 2007–8. The spectacular demise of Lehman was only one of many casualties. But its collapse was highly symbolic. Lehman was one of those institutions that epitomized the neo-liberal, free market ideology (sometimes known as the ‘Washington Consensus’) that had dominated the global economy for the previous half century. This was the ideology of so-called free and efficient markets: that the market knew best and that all hindrances to its efficient operation – especially by the state – were undesirable. But in 2008, all this was suddenly thrown into question. As one financial institution after another foundered, as governments took on the role of fire-fighters, and as several banks became, in effect, nationalized, the entire market-driven capitalist system seemed to be falling apart.

Question: does the economic turmoil that broke out in 2008 herald ‘the end of the world as we knew it’, ‘the end of globalization’? Well, it all depends on what we mean by ‘globalization’: it is important to distinguish between two broad meanings of the term:¹

- One is *empirical*. It refers to the actual *structural* changes that are occurring in the way the global economy is organized and integrated.
- The other is *ideological*. It refers to the neo-liberal, free market ideology of the ‘globalization project’.

These two meanings are often confused. Of course, they are not separate but it is important to be aware of which meaning is being discussed.

It is too early to say whether the free market ideology has been irrevocably changed by the global financial crisis. Some think it has. Many more think it should be. Others believe that, once the dust finally settles, it will be business as usual. That may, or may not, be the case. But globalization, as we will see throughout this book,

has never been the simple all-embracing phenomenon promulgated by the free market ideologists. We need to take a much more critical and analytical view of what is actually going on over the longer term; to move beyond the rhetoric, to seek the reality. That is one of the primary purposes of this book.

CONFLICTING PERSPECTIVES ON ‘GLOBALIZATION’

Globalization is a concept (though not a term) whose roots go back at least to the nineteenth century, most notably in the ideas of Karl Marx. Indeed, in the light of the post-2008 crisis, many observers – even some who could by no stretch of the imagination be regarded as ideologically on the left – recognize that Marx’s analysis of the development of global capitalism² was extremely acute and highly relevant to today’s world. ‘Globalization’ as a term entered the popular imagination in a really big way only in the last four decades or so. Now it is everywhere. A perusal of Web-based search engines reveals millions of entries. Hardly a day goes by without its being invoked by politicians, by academics, by business or trade union leaders, by journalists, by commentators on radio and TV, by consumer and environmental groups, as well as by ‘ordinary’ individuals. Unfortunately, it has become not only one of the most used, but also one of the most *misused* and one of the most *confused* terms around today. As Susan Strange argued, it is, too often,

a term ... used by a lot of woolly thinkers who lump together all sorts of superficially converging trends ... and call it globalization without trying to distinguish what is important from what is trivial, either in causes or in consequences.³

‘Hyper-globalists’ to the right and to the left

Probably the largest body of opinion – and one that spans the entire politico-ideological spectrum – consists of what might be called the *hyper-globalists*,⁴ who argue that we live in a borderless world in which the ‘national’ is no longer relevant. In such a world, globalization is the new economic (as well as political and cultural) order. It is a world where nation-states are no longer significant actors or meaningful economic units and in which consumer tastes and cultures are homogenized and satisfied through the provision of standardized global products created by global corporations with no allegiance to place or community. Thus, the ‘global’ is claimed to be the *natural* order, an inevitable state of affairs, in which time-space has been compressed, the ‘end of geography’ has arrived and everywhere is becoming the same. In Friedman’s terms, ‘the world is flat’.⁵

This hyper-globalist view is the one shown in Figure 1.1. It is a myth. It does not – and is unlikely ever to – exist. Nevertheless, its rhetoric retains an extremely

powerful influence on politicians, business leaders and many other interest groups. It is a world-view shared by many on both the political right and the political left. Where they differ is in their evaluation of the situation and in their policy positions:

- To the neo-liberals on the right – the *pro*-globalizers – globalization is an ideological project, one that, it is asserted, will bring the greatest benefit for the greatest number. Simply let free markets (whether in trade or finance) rule and all will be well. The ‘rising tide’ of globalization will ‘lift all boats’; human material well-being will be enhanced. Although the neo-liberal *pro*-globalizers recognize that such a state of perfection has not yet been achieved, the major problem, in their view, is that there is too little, rather than too much, globalization.⁶ Globalization is the *solution* to the world’s economic problems and inequalities. This, then, is the global manifestation of the ‘Washington Consensus’ referred to earlier: the ideology of free and efficient markets regardless of national boundaries.
- To the hyper-globalizers of the left – the *anti*-globalizers – globalization is the *problem*, not the solution.⁷ The very operation of those market forces claimed to be beneficent by the right are regarded as the crux of the problem: they are a malign and destructive force. Free markets, it is argued, inevitably create inequalities. By extension, the globalization of markets increases the scale and extent of such inequalities. Unregulated markets inevitably lead to a reduction in well-being for all but a small minority in the world, as well as creating massive environmental problems. Markets, therefore, *must* be regulated in the wider interest. To some anti-globalists, in fact, the only logical solution is a complete rejection of globalization processes and a return to the ‘local’.

‘Sceptical internationalists’

Although the notion of a globalized economic world has *become* widely accepted, some adopt a more *sceptical* position, arguing that the world economy was actually more open and more integrated in the half century prior to the First World War (1870–1913) than it is today.⁸ The empirical evidence used to justify this position is *quantitative* and *aggregative*, based on national states as statistical units. Such data reveal a world in which trade, investment and, especially, population migration, flowed in increasingly large volumes between countries. Indeed, such levels of international trade and investment were not reached again (after the world depression of the 1930s and the Second World War) until the later decades of the twentieth century. In fact, international population migration has not returned to those earlier levels, at least in terms of the proportion of the world population involved in cross-border movement. On the basis of such quantitative evidence Hirst and Thompson argue that ‘we do not have a fully globalized economy, we do have an international economy’.⁹

GROUNDING ‘GLOBALIZATION’: GEOGRAPHY REALLY DOES MATTER

Such national-level quantitative data need to be taken seriously. But they are only a part of the story. They do not tell us what kinds of *qualitative* changes have been occurring in the global economy. Most important have been the transformations in the *where* and the *how* of the material production, distribution and consumption of goods and services (including, in particular, finance). Old geographies of production, distribution and consumption are continuously being disrupted; new geographies of production, distribution and consumption are continuously being created. There has been a huge transformation in the *nature* and the *degree* of interconnection in the world economy and, especially, in the *speed* with which such connectivity occurs, involving both a *stretching* and an *intensification* of economic relationships. Without doubt, the world economy is a qualitatively different place from that of only 60 or 70 years ago, although it is not so much more open as *increasingly interconnected in significantly different ways*.

International economic integration before 1914 – and even until only a few decades ago – was essentially *shallow integration*, manifested largely through arm’s-length trade in goods and services between independent firms and through international movements of portfolio capital and relatively simple direct investment. Today, we live in a world in which *deep integration*, organized primarily within and between geographically extensive and complex *global production networks (GPNs)*, and through a variety of mechanisms, is increasingly the norm.

Such qualitative changes are simply not captured in aggregative production, trade and investment data. For example, in the case of international trade, what matters are not so much changes in volume – although these are certainly important – as changes in its *composition*. There has been a huge increase in both *intra-industry* and *intra-firm* trade, both of which are clear indicators of more functionally fragmented and geographically dispersed production processes.¹⁰ Above all, there have been dramatic changes in the operation of financial markets, with money moving electronically round the world at unprecedented speeds, generating enormous repercussions for national and local economies. We certainly do not need to be reminded of what that means.

The crucial diagnostic characteristic of a ‘global economy’, therefore, is *the qualitative transformation of economic relationships across geographical space*, not their mere quantitative geographical spread. This involves ‘not a single, unified phenomenon, but a *syndrome* of processes and activities’.¹¹ There is not one ‘driver’ of such transformative processes – certainly not the technological determinism so central in much of the popular globalization literature. In other words,

globalization is a ... supercomplex series of multicentric, multiscalar, multitemporal, multiform and multicausal processes.¹²