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A French View of Trends in the International Division of Labour

by Dr Barbara Mettler-Meibom and Dr Peter H. Mettler, Paris *

The French ideas on the future international division of labour and a new international economic order are presented in the following article on the basis of a recently published study of the French Ministry of Industry and Research ¹.

The term "international division of labour" can have connotations of harmony or conflict. It may stand for the interplay between a number of national economies which use their different specializations to their mutual advantage by engaging in economic exchanges. But it can also bring to mind a hierarchical system of graded dependences under unquestionable US dominance in which multinational groups and trade and capital ramifications tend to impart utterly different benefits or injuries to individual countries.

In France, it is the connotation of conflict which predominates. There are reasons for this: Increased interlocking with economically stronger partners has had not only obvious advantages but also great drawbacks for France — disadvantageous economic specialization, greater dependence on other economies and less freedom of action in its economic, social and foreign policy for instance ². And this has given rise to a quest and search for political and economic alternatives which does not reflect the political division between the French "right" and the "left". One meets in France an awareness of relative economic weakness and, linked to it, reservations about the USA, the Federal Republic of Germany in sections of the "right" as well as in those of the "left".

Three Alternatives

These reflections have as their common background the question how France can preserve or regain a maximum of national freedom of action in spite of its capital and trade entanglements and a policy of seeking massive growth ³. There is a choice between several roads each of which would have different repercussions on the place of France in the international division of labour:

□ A *European* solution, presupposing an improved European industrial and structural policy as

well as close cooperation between the Federal Republic and France or partial subordination of France to the Federal Republic. It would tend to intensify the competition between Europe and the USA.

□ A *French-American* solution, requiring a strengthening of the bilateral capital and trade ramifications between the USA and France and thus necessitating further and more direct subordination of the French economy to the American one. The French-American alliance would fortify the position of France in the face of German competition.

□ A *French-Mediterranean* solution, implicating the creation of a French-dominated Mediterranean integration area which would gain economic independence from the USA, the EC and the Federal Republic. With its help France could work for a gradual increase of its relative strength compared with North America and Northern Europe.

The present situation contains pointers of greatly differing significance to all three solutions. For the European solution the ground has been prepared ever since France first turned its back on

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¹ La Division internationale du travail, Vol. I: Les tendances actuelles (The international division of labour, Vol. I: The present trends), 315 p.; Vol. II: Trois scénarios prospectifs (Three scenarios in prospect), 178 p.; Etudes de politique industrielle No. 9, Documentation française, Paris, April 1976.

² Cf. above all, Bernard Guibert and others: La mutation industrielle de la France (The industrial transformation of France), 2 vols., Institut national de la statistique et des études économiques, Série E, No. 31-31, Paris 1975, especially Vol. I, pp. 13-92; Division "Etude des entreprises": Fresque historique du système productif (Historic fresco of the production apparatus), Institut national de la statistique et des études économiques, Série E, No. 27, Paris 1974, espec. pp. 193-222.

³ Most recently and very clearly at the ambitious Ministry of Industry and Research colloquium on industrial redeployment, May 27-28-29, 1975, Etudes de politique industrielle, No. 6, Documentation française, Paris 1975. Redevelopment as understood here means both growth and regional development.

the protectionist economic policy which it had pursued for decades. Since World War II, and more actively since the creation of the EC, France has been opening its doors little by little to international competition and reorienting its trade relations away from the privileged countries of the franc zone and towards the states of the European region. The European countries are by now providing a substantial proportion of the foreign direct investments in France and gaining increasing importance as the destination of French capital exports.

For the second choice, the French-American solution, speaks the large volume of US direct investments in France; these are approximately equal to the total direct investments by the eight other EC countries⁴. Certain spectacular decisions by the French Government against European integration and in favour of French-American industrial cooperation point in the same direction. Apart from the current ideas for the aviation and spacecraft industry, mention may be made of the rejection last year of UNIDATA – a European (German-Dutch-French) computer industry – in favour of a French-American solution through a CII-Honeywell Bull merger.

For the third choice, the French-Mediterranean solution, there is so far little supporting evidence to be found in actual economic developments; it is the most political solution. It is suggested by government attempts to develop the Mediterranean littoral of France and to create infrastructural links with the North Sea and Northern France and by the French Government's efforts to maintain and develop privileged relations with the Maghreb and the OPEC states. And it also finds expression in reflections among the opposition about the possible economic repercussions of a political transfiguration in the Latin countries of Southern Europe.

The debate about the prospective development of the international division of labour and the strategy which France should adopt in the face of it has received a fresh stimulus from a publication about the international division of labour which came out in April 1976⁵. It is the work of the "Groupe de réflexion sur la stratégie industrielle" in the French Ministry of Industry and Research and is the latest of a series of publications on related subjects which has appeared in the last few years⁶. We want to examine here two aspects

⁴ Cf. Bernard Guibert and others, *ibid.*, pp. 71 ff.

⁵ La Division internationale du travail, *ibid.* The study was the subject of a working colloquium at the Centre de Réflexion sur le Futur at Arc-et-Senans in January 1976. It was made available to a wider public by the Ministry of Industry and Research at a study conference on April 28-29, 1976. The results of the two conferences were published in the "Etudes des politique industrielle" series in June 1976.

running through the four parts of the study. They are:

- The concept of sector/sub-section analysis, its connection with ideas about the international division of labour and its complementation by industry analysis; and
- The method of making use of three scenarios and their contents.

Sector and Sub-section Analyses

The study tries to avoid an economistic approach by including political-social factors among the explanatory elements of the international division of labour and the internationalization process which determines its nature⁷. Economic and political aspects must for this reason both be dealt with in an investigation of the activities in a country or between countries. This means in practice that questions are pursued in the study from two angles:

- In which way do the various countries further the development trends in various industries by the fact of their political existence and the nature of their relations?
- To what extent are the relations between individual countries be influenced by the structure and dynamics of their nationally and internationally developed industries?

This dual question is based on the authors' concept of internationalization as a dialectic process in which economic and political elements operate on each other. Accordingly the study contains parts starting off from the plane of the national states and their political and economic interchange relations and also parts containing an analysis of the internationalization process in certain industries.

Instead of a simple industry analysis the study introduces the concept of sector/sub-section analysis. The two kinds of analysis are considered to be distinct from each other in that the former is mainly a source of information about the internal structure of individual industries whereas the latter indicates more particularly the rank of individual industries in the reproduction process of a national production apparatus, i.e. in the process by which it maintains and renews itself and develops further. The industry analysis is not rendered superfluous because the sector analysis is only supplementary to it. The authors

⁶ Among previous publications are e.g., *Les firmes multinationales*, Travaux et recherches de prospectives No. 34, Documentation française, Paris 1973; *Industrie en Europe*, Travaux et recherches de prospectives No. 46, Documentation française, Paris 1973; *Firmes multinationales et division internationale du travail*, Travaux et recherches de prospectives No. 55, Documentation française, Paris 1975.

⁷ For details of the method cf. the section in *La division internationale du travail*, *ibid.*, Vol. I, pp. 83-100.

prefer this relatively new methodological and theoretical concept⁸ because — and this is their answer to the second question — the sectoral structure of a national production apparatus is the main determinant of its place in the international division of labour.

It is of especial importance in this context whether the national production apparatus possesses “sectoral coherence”. A national production apparatus is endowed with “sectoral coherence” if it is capable of directing its own capital accumulation under national control. The place of a national production apparatus under the hierarchical system of international labour division depends in this case not least upon the potential degree of “sectoral coherence” (the degree of its accumulation capability) which in turn is tied up closely with the question which sectors and sub-sections can be controlled nationally⁹.

The study distinguishes between the following sectors and sub-sections:

Sectorization of the Production System¹

Sector	Sub-Section	Activities
1. Means of production	1a. Means of production for means of production	Machine tools, computers, telecommunications, process control technology
	1b. Means of production for intermediate products	Heavy mechanical engineering, turbines, process control technology
	1c. Means of production for consumer goods	Motor engines, light mechanical engineering
2. Intermediate products	2a. Intermediate products for producer goods	Iron and steel industry: special steels and sections; energy; non-ferrous metals
	2b. Intermediate products for consumer goods	Iron and steel industry: sheets; petrochemicals; chemicals; energy; transport
3. Consumer goods	3a. Consumer goods for collective consumption	Building trades, health
	3b. Mass consumer goods	Motor cars, electrical domestic appliances, plastics, paracheicals ² , textiles, leather, shoes

¹ The translation causes special problems because the sub-divisions do not correspond to the usual official industrial classification. Cf. Table in *La Division internationale du travail*, *ibid.*, I, p. 92.

² Including, e.g., paints, lacquers, soaps, detergents, various chemical ancillaries.

A national production apparatus has “complete sectoral coherence” only if in the terms of this classification not only Sector 1 but more especially Sub-section 1a is under national control.

⁸ The concept and method of industry/sector analysis were largely originated by Christian P a l l o i x. Cf. his book: *L'Internationalisation du capital, Eléments critiques*, Maspero, Paris 1975. Wladimir A n d r e f f is attempting a different sectoralization in his habilitation thesis to be published shortly: *Développement de la firme multinationale et sectoralisation mondiale de la production*, Thèse de doctorat d'état, University of Paris IX, Dauphine 1975.

⁹ A large volume of direct investments in an industry, technological dependence, dependence upon imports for certain intermediate products (raw materials, machine tools, etc.) are examples of factors precluding national control.

An examination of the “sectoral coherence” of various countries according to this criterion shows that such coherence exists in France only around Sections 1b and 2 while for the USA and the Federal Republic it is indicated around Sections 1a and 1b. Accordingly France is subordinate to these two countries in regard to the international division of labour. The developing countries have no “sectoral coherence” (they are lacking self-controlled capital accumulation); a few of them only — the oil exporting countries for instance — have in certain circumstances a chance of evolving “sectoral coherence” around sector 2.

Seven Industry Analyses

Sector analyses of a national production apparatus have not yet been undertaken, apart from rudimentary efforts. It was therefore considered advisable to use the industry analysis as an interim solution as far as possible in connection with the mentioned questions and explanations. Seven industries were selected with the aim of covering the important industries in all three sectors and dealing with different degrees and types of internationalization, namely:

In Sector 1:

the entire range of *investment goods industries*;

In Sector 2:

the *iron and steel industry* (as exemplifying distinctly national industries);

the *petrochemical industry*;

the *mining industry* and the *non-ferrous metal industry* (as examples of more markedly international industries with a strong involvement of multinational groups);

In Sector 3:

the *automobile industry* (new consumer goods);

the *textile and clothing industry* (old consumer goods);

the *food industry* (because of its associations with the agricultural production sector and as exemplifying the industries which are at present stimulating changes in consumer habits).

Each of the seven industry analyses comprises three sections:

a statistically-supported historical analysis;

a qualitative analysis of the present state of internationalization in the industry;

a review of current and future tendencies towards internationalization.

The method of scenarios is encountered frequently in French forward-planning research¹⁰. Its purpose is not to forecast the most likely future trend but to present and contrast possible basic trend alternatives in different scenarios. It is this method which has been applied to the "development of the international division of labour". The various scenarios must each be intrinsically coherent while differing in their basic assumptions.

The Bipolar Scenario

The historical analysis of the international division of labour in the first part of the study shows that since 1945 the USA has been the centre of political and economic dominance in the scheme of the international division of labour; other economies depend upon it in a hierarchical system. Since the middle sixties the USA has however undergone a relative decline in the face of growing competition by Europe and Japan. The scheme of the international division of labour was at the same time modified by a variety of factors not encountered earlier – the internationalization of production and of the financial markets, the emergence of multinational groups and the oil price policy of the OPEC countries.

The bipolar scenario¹¹ assumes that the USA will succeed in restoring its former supremacy under the changed conditions and consolidate the system of dependences. A prerequisite of this is that the technological innovation potential is concentrated in the USA – i.e. that the USA in very great measure monopolizes the control over section 1a. This scenario is bipolar because the USA will in the view of the authors be obliged to share its world dominance with the USSR which makes up by military strength and ideological insistence what it lacks in economic strength. Europe and Japan play in this scenario the role of relay-stations for the US centre of dominance. Their place in the hierarchy of dependent countries depends upon the manner in which their "sectoral coherence" is arranged.

It is thought that France would occupy a particularly unfavourable position in the bipolar system because it will not succeed in developing its "sectoral coherence" around Section 1a and improving its place in the scheme of the international labour division. In this respect France holds an intermediate position between the industrialized countries which profit from exercising a relay function (e.g. the Federal Republic of Germany) and those which are under a handicap (e.g. Italy). The developing countries, leaving certain exceptions like Iran and Brazil aside, do

¹⁰ Cf. La méthode des scénarios, Travaux et recherches des prospectives, No. 59, Documentation française, Paris 1975.

not really form an integrated part of the international division of labour. They will continue to lack the opportunities for national accumulation.

This bipolar scheme of international division of labour is for two reasons thought to be extremely unstable: The US hegemony would exacerbate the conflicts inside and between the various societies to such an extent that the social tension in the dominated countries would be aggravated, and the relay countries will not meekly accept US hegemony.

The Multipolar Scenario

Unlike the bipolar scenario, the multipolar scenario¹² assumes that the decline of the USA – in continuation of the trend in recent years – is irreversible. The international division of labour would therefore attain a new equilibrium with five dominant centres, each with its own zone of political and economic influence:

- USA – Latin America;
- Europe – Africa, Middle East;
- Japan – parts of Asia;
- USSR – East European countries;
- China – parts of Asia.

This kind of development can only take place if the major European countries and Japan manage to develop their investment goods industries and evolve "sectoral coherence" around Section 1a (machine tools, computers, telecommunications, etc.). In this scheme of an international division of labour between five blocs world trade would decline on a global scale; the multinationals would confine themselves more strictly to their national bases. The tendency towards national self-sufficiency would increase, and so would the need for interventionist state policies.

The trend in the developing countries would, depending upon their starting point, follow one or the other of two quite different courses: some of them would be integrated with the division of labour in the five blocs and evolve a subordinate "sectoral coherence"; the others would still be without a modicum of economic independence and lack any opportunities for national accumulation. The conflicts between the five blocs would shift towards their peripheries, i.e. into the devel-

¹¹ Cf. La Division internationale du travail, *ibid.*, Vol. I, pp. 10-12, Vol. II, pp. 7-65, and Firmes multinationales et division internationale du travail, *ibid.*; cf. in this context Alexandre Faïre: Les conflits interimpérialistes dans la crise, in: Samir Amin and others: La crise de l'impérialisme, Ed. Minuit, Paris 1975, pp. 49-95; Forum prévisionnel: Scénarios contrastés de restructuration de l'appareil productif français – Système d'études du schéma d'aménagement de la France, in: *futuribles*, Nos. 1-2, 1975, pp. 124-147.

¹² Cf. La Division internationale du travail, *ibid.*, Vol. I, pp. 12/13, II, pp. 65-111. Cf. in this context Alexandre Faïre, Jean-Paul Sebord: Le nouveau déséquilibre mondial, Grasset 1973.

oping countries, and this would happen especially in the geographical areas which cannot at present be definitely counted as the zone of influence of one particular bloc.

It is thought that France would hold a much more favourable position in the multipolar scheme of international labour division than it could expect in the bipolar one. In Europe the trend to European unification is continuing in such a way that the dominant place will be shared by France and the Federal Republic. Although economically behindhand, France is for the following reasons thought to be able to hold its own:

- The small European countries need France to counterbalance the Federal Republic;
- France is militarily indispensable for the defence of European zones of influence;
- France has an important role to play as a nuclear power;
- France is a pivot for investments in the developing countries;
- France cannot easily be replaced as an agricultural producer in the intra-European division of labour.

The Mediterranean Scenario

The Mediterranean scenario¹³ is a subspecies of the multipolar scenario. The emergence in the Mediterranean area of a new political-economic bloc with the will and potential for relative independence would be a departure from past trends. Such a break with previous trends could be brought about by political changes in Southern Europe, conflicts between the Atlantic and the European school of thought in Europe, an upgrading of the French Mediterranean policy, wishes for political independence on the part of the oil countries and finally by mutual neutralization of the USA and the USSR in the Mediterranean area.

The formation of such a bloc presupposes however, as the scenario shows, the existence of certain conditions, and these are so unlikely that a major change of this kind in the international division of labour is manifestly impossible. Among these indispensable conditions are a fundamental transformation of the Latin countries of Europe as well as the emergence of like political objectives in the Mediterranean countries, especially during the transition period. Furthermore, the formation of a Mediterranean bloc would require some degree of economic autonomy which is unattainable unless the American model of a consumer society is abandoned. If this were not done, the available agricultural production, the

raw material, energy and manpower reserves and the market dimensions would not suffice for autonomous growth under the control of this Mediterranean bloc itself.

International division of labour according to the Mediterranean scenario would place France in a very favourable position. France, and to a minor degree Italy, would assume the role of technology suppliers and raise their production apparatus to a higher technological level (thus evolving "sectoral coherence" around Section 1a). In order to avoid disequilibria and to develop a new kind of growth not based on the model of the past 25 years, the division of labour in the integration area would however have to enable the other countries also to evolve "sectoral coherences". Certain industries and production stages would have to be taken over by the less advanced countries in the region.

The Importance of the Study

Which questions are raised by such ideas? For the sake of brevity the discussion will be confined to a few important aspects while material and methodological details will be ignored.

Has the method of scenarios advantages? This is a question which can be answered in the affirmative. The method of scenarios makes it possible to get away from the method of trend extrapolation which has been proved unreliable, especially in the last few years. Secondly, it allows consideration to be given to policy alternatives for the future. Thirdly, it permits an examination of the difficulties to be encountered as a result of sweeping changes in the international division of labour. In view of the objectives envisaged by the developing countries this is bound to give rise to further considerations. On the other hand, this method of scenarios suffers from substantial drawbacks when applied in isolation and not combined with probability studies and iterative target planning.

Are the three scenarios representative of the principal conceivable trends of development in the scheme of the international division of labour? Some scepticism is called for in answering this question as, to give only one example, insufficient thought has been given to the repercussions of broadly conceived changes in the commodity price policy of the developing countries.

Is any of the three scenarios for the international division of labour consistent with the demands for a new international economic order by the developing countries? A bipolar scheme of international labour division would if anything worsen the status quo from the point of view of the developing countries while a multipolar sys-

¹³ Cf. La Division internationale du travail, *ibid.*, Vol. I, pp. 13-15, Vol. II, pp. 111-176.

tem would result in no more than a slight improvement¹⁴. It would be a different matter if the Mediterranean scenario were enacted. Provided the Mediterranean bloc would not have to be viewed as an area of French or Italian dominance and if it aimed at a growth model fundamentally different from the model of the consumer society, it could in certain circumstances meet the demands of the developing countries in *this* region for a new international division of labour. This would not however extend to the other developing countries, e.g. those in Black Africa, Latin America or Asia.

Is the study of the French Ministry of Industry and Research of significance beyond the confines of the intra-French discussion? The answers

¹⁴ Characteristic was the reaction of Samir Amin, a scientific delegate from the developing countries who represented their interest at the study conference of the Ministry of Industry and Research on April 28-29, 1976.

to the three previous questions have already shown this to be the case. Besides, the study has supplied a wealth of empirical material which could not have been collected without the participation of several research commissioning institutions in France or without drawing on data of the French Ministry of Industry and Research. The importance of the study is, finally, indicated by the recent launching of a major three-year research project on the development of the international division of labour by the OECD and by the fact that – as the last UNCTAD conference demonstrated – the UN cannot ignore any longer the demand for a new international economic order by the developing countries.

It is to be hoped that the consideration of alternative solutions will receive more attention and help to find a way out of a situation marked by lack of analytical capabilities, originality and political determination.

Regional Associations

Integration for Development – Hopes and Problems

by Dr Ekkehard Bechler, Hamburg *

The following article deals with the conditions under which regional associations in the Third World can improve the economic situation of the developing countries and the question how suitable they are for this purpose.

It is certainly true that the origin of the various attempts at economic integration of developing countries can only be judged properly if the course of international trade relations since World War II is borne in mind. One of the salient features of the fifties in this respect was the growing dissatisfaction of the LDCs with a system of world trade which limited their role – often under the influence of the “pure” theory of foreign trade – to that of primary goods suppliers. It had become more and more obvious that the low income and price elasticities of the world demand for these products, in conjunction with the wide short-term fluctuations in export earnings, gave them no adequate basis for those capital goods imports without which their industrial development could not be speeded up or indeed started off.

This was the reason for the policies of internal diversification and import substitution by means

of high tariff barriers and, above all, restrictions on consumer goods imports in the fifties. In this way it was hoped to make room for more capital goods imports, but most of the countries which pursued a strategy of this kind had to realize sooner or later that higher capital goods imports actually aggravated their balance of payments problems, notwithstanding (or even because of) their efforts to replace imports. At the same time idle capacities and inefficient plants in the semi-finished and finished goods sectors showed the limited size of the LDC markets to be an additional hindrance to meaningful import-substituting industrialization the moment it spread from simple to more advanced products, and this problem was aggravated further by uneconomic multiplication of import-competing industries in adjacent countries.

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