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Chapter 1 : Fragmentation and Regionalization are Changing Globalization

In this lesson, we compared the concepts of globalization and fragmentation to being in kindergarten and middle school, respectively. We saw how globalization is a good thing because it.

Page Share Cite Suggested Citation: Technology and Global Industry: Companies and Nations in the World Economy. The National Academies Press. Up to 50 percent of the gross national product GNP of small European countries is traded internationally, whereas only about 25 percent of GNP in larger European countries and 10 to 15 percent of GNP in the comparatively isolated large economies of the United States and Japan is traded internationally. Markets for many industrial goods have become increasingly homogeneous. Simultaneously, foreign investment has grown rapidly, both in developed and in developing countries. As both international trade and investment grew rapidly, international competition became more intense, and many national industries became global industries. Similarity of markets in different countries and intense global competition drove international competitors to coordinate their market and competitive strategies between countries more actively. The relevant scope of strategy thus shifted from discrete national markets to global markets, and coordinated worldwide competitive actions between the various subsidiaries of MNCs became more important. Protectionism in the s, the trauma of World War II, and national reconstruction policies led the early multinational investors to fragment their operations into discrete market-servicing, self-sufficient investments with little interdependence between operations in separate countries. With freer trade and more intense competition, both the possibility of, and the need for, sourcing investments in manufacturing arose: International corporations started to specialize and rationalize their plants to exploit national comparative advantages. As a result, portfolio foreign investments, where only intangible assets are leveraged, gave way to strategically coordinated integrated operations worldwide, exploiting comparative advantages of different countries for various types of activities. Labor-intensive activities were sited in locations where labor costs were low and from which the world markets were served. Such trade may be intraindustry e. This trend was particularly strong between and Since the late s, however, three sets of factors have come to limit such globalization. First, the technology no longer always drives toward globalization: New manufacturing techniques may reverse the trend toward "world-scale" plants and allow differentiation and segmentation with smaller cost penalties. Second, protectionism is on the rise and limits the strategic freedom of global competitors. Protectionism applies not only to trade in goods, but also increasingly to trade in knowledge, technology in particular. The impact of the three sets of limiting factors mentioned above deserves more attention. This chapter reflects this interest, beginning with a selective review of the abundant, if still fragmentary, evidence on the trends toward market homogenization, industry globalization and firm integration, and the underlying forces that drive them. These issues are discussed at three complementary levels of aggregation: First, national markets have become increasingly similar in taste as income distributions in industrialized nations have equalized. The result has been the development of relatively homogeneous market segments that cross borders Levitt, Though national markets may have been more similar in the past than was generally recognized Helleiner, , the media mainly television , international travel, and the action of active multinational marketers have contributed to the homogenization of markets across national boundaries. Higher disposable incomes also encouraged the development of a market for fashionable "world products" in a number of countries, be these products such as British raincoats, Italian sweaters, Swiss watches Rolex or Swatch , French wines, or Japanese consumer electronics. The globalization of manufacturing in certain industries where products are complex and differentiated might not have happened without the drastic reductions in transportation and telecommunication costs between and That wade barriers were removed between the s and the s is well known and needs no detailed analysis here. The removal of these barriers provided a third enabling condition for the globalization of industries. Only in some industries where government-controlled customers predominate, and where national defense considerations are relevant, did wade barriers stay in place Doz, Specific trade agreements e. The recognition that across-the-board import substitution measures usually fail, and the successful example of the newly industrialized countries NICs , also provided an incentive for developing countries to participate actively in the world economy. A fourth enabling condition, usually at the level of individual firms, was the existence of the organizational infrastructure for globalization. In the mids, when trade liberalization was initiated and national markets started to converge visibly, many MNCs were already in place, with their infrastructure of sales subsidiaries and foreign plants. Global information networks and means of global market reach were already in place, decreasing the cost of transition from national to global competition for the major competitors. Experience in handling foreign manufacture, new product introduction, and technology transfer facilitated a prompt response to industry globalization by MNCs Vernon, Where such networks and means did not exist, helping hands could be found. This allowed the new competitors to skip both the market intelligence tasks Sears, for instance, specified the TV sets it wanted and the initial market access cost and delay[More complex, more fragmented, less transparent, and less willing distribution structures would have been a formidable barrier to globalization and, where present, remain a source of asymmetry in globalization witness the painful efforts of many European and American firms to establish a significant market presence in Japan. They had to be exploited by firms trying to gain a permanent competitive advantage. The intense competition created by these firms was in most cases the main driving force for integration and globalization to actually take place. Intense competition itself depended on the opportunity for substantial gains through globalization, the existence or the creation of destabilizing conditions, and the presence of competitors with the strategic intent and capabilities to exploit destabilizing conditions to their advantage. Changes in product and process technology have increased the minimum efficient size of production in a variety of industries, such as cars, chemicals, consumer electronics, semiconductors, and machinery. New product development costs have also risen considerably in a range of industries, the best-known of which are aircraft, telephone switching, cars, and semiconductors. There is a further incentive to serve the world market quickly to minimize the financing cost of the initial investment and the competitive risk of technological obsolescence Hamel and Prahalad, In some capital goods industries, such as papermaking machinery, electrical equipment, and railroad equipment, the cyclicality of domestic demand and the uncertainty of future domestic orders have led to chronic overcapacity and to the need for national firms to diversify their customer base by selling abroad. Intense competition, though, is the key driving force. The emergence of a period of intense competition was facilitated by technological or market discontinuities that destabilized the existing market and industry structures. Increases in energy costs, for example, destabilized the structure of such industries as automobiles and papermaking machinery, making it possible for new global competitors to emerge. Wide fluctuations in exchange rates have occasionally had significant effects, helping new competitors to penetrate mature industries, even in the absence of new technology or changing economies of scale. In and , for example, the overvaluation of the U. Ambitious competitors, with a vision of how to turn situations to their advantage, were also needed to make competition more intense. These competitors, such as Komatsu, have the long-term strategic intent to dominate their industry, and they are able to exploit opportunities as they arise. While the new competitors have usually been Japanese, they are also occasionally European e. Confronted with intense competition from new competitors intent on exploiting economies of scale, new product and process technology, and other destabilizing factors such as exchange rate fluctuations, established competitors have typically reacted in two complementary ways: Companies also searched for lower factor costs and other locational advantages e. Demands for cost competitiveness led to sourcing globalization. Managing costs is not enough, however, as companies have also come to recognize the value of worldwide market access Hamel and Prahalad, The primary motive of most partnerships and coalitions is to shore up market presence and technological competence to establish quickly a defensible position in a global industry. While these do provide a viable option, the sharing of strategic control over competitive actions by several partners usually results in tensions as soon as the external technological and market conditions evolve or the relative strategic importance of the joint activities to the various partners changes. Even when the collaboration endures, conflicting priorities may result in delays that blunt its competitiveness e. Empirical Evidence Although anecdotal evidence of industry globalization and MNC integration abounds, systematic measurable data on their extent remain scarce and fragmentary. Some industries are well documented e. Yet, even the most detailed studies are fraught with problems in the availability and interpretation of data Hood and Young, There is a convergence between findings from studies that start with trade statistics e. Department of Commerce Annual Survey of U. The more anecdotal evidence from individual "case" studies and from industry- specific studies also points in the same direction. Industry studies also provide evidence that even in industries that are traditionally nationally fragmented, pressures for integration and globalization are being felt. In the furniture industry, for instance, companies such as IKEA or Habitat-Mothercare are exploiting economies of scale in purchasing, subcontracting, advertising, and brand image, shifting the bottom end of the furniture market away from a fragmented national structure to an integrated multinational one. Even where national prestige, national defense, and strategic independence have traditionally weighed more heavily than competitiveness in industrial choices, original patterns of globalization and integration develop. By and large, European integration in aerospace is making progress under tight supervision from governments. The failure to agree on a single design for a future fighter plane may ultimately be beneficial in offering two complementary products and maintaining spirited competition for export orders: Britain, Italy, Germany, and Spain joined forces and will compete against France and smaller countries. Similarly, the European microelectronics industry is evolving out of a stalemate. We see cooperation between large firms that traditionally were competitors as in the joint development of "megachips" by Philips and Siemens, and we see new ventures occasionally being funded by old firms, as when European Silicon Structures is financed by a group of large European electronic industry firms to make semi-custom chips economically in Europe. Although these collaborative ventures may not operate under the best possible conditions, and their cost of coordination is high, they at least overcome the worst aspects of fragmentation. Although in the early s it seemed plausible that unions would gain a strong say in MNC management, they have now been ruled out as a severe barrier to globalization and integration. This is the result of a combination of factors, namely, the change of attitude in Europe both the effect of the unemployment crisis and also of an ideological shift away from statism and socialism , the failure of unions to lock MNCs into transnational bargaining, the lack of support provided by governments e. Where unions succeeded in gaining a say, as they did with the German codetermination laws, their representatives quickly aligned their positions on those of management. Economically weak but politically strong national industrial companies could also be barriers to globalization, but by and large they fell to competitive pressures in Europe. Only in a few partly competitive but largely government- controlled sectors, such as electrical equipment for railroads, do the old industry structures survive largely unchanged. Computer manufacturers are victims of probably the worst stalemate along these lines in Europe. Yet each of these national champions is well enough ensconced in its national political and economic environment to survive, to prevent its merger into a transnational alliance, and to block the development of new, more entrepreneurial national or international competitors. The continuation of this stalemate threatens the European computer industry with extinction. Research And Development Unlike marketing and manufacturing, research and development have not been significantly affected by globalization and have remained principally home-country activities. As foreign markets developed to resemble the domestic markets, or as foreign plants were built, new products and technologies were transferred abroad once they had been proved domestically. Technology was in fact global from the start, but research was centrally performed and leveraged internationally through product life cycle phenomena or through transfers to foreign subsidiaries. Although this is truest for MNCs in small countries e. Leading markets for medical electronics, for example, may be in the United States and in Japan and Sweden for factory automation, in France for nuclear engineering, and in Britain for consumer electronics. Some European pharmaceuticals or electronics firms find it easier to locate laboratories for new technologies such as genetic engineering or microchips in the United States than in Europe. Conversely, India may offer the potential for a large number of inexpensive software specialists and Italy for creative ones. Finally, the mobility and transfer of knowledge within MNCs is neither easy nor costless Teece, First, as markets become increasingly homogeneous, the need for specific local product adaptation or for autonomous product development is lessened. Second, the benefits of close proximity of researchers are strong. Although estimates of the distance beyond which easy informal communication between scientists breaks down range from a few yards to a 1-day plane commute, observers agree that the scattering of related research activities is detrimental to their effectiveness Allen, Fourth, considerations of political risk seem to have limited the willingness of major firms to be dependent in their home markets on technologies developed abroad. This may be easy to achieve for engineered commodities, such as consumer durables, photocopiers, and typewriters, but it is more difficult where needs can be defined only in close conjunction with users rather than through market research von Hippel,

Chapter 2 : Globalization and Fragmentation: Debates by Lisa Tchira on Prezi

Fragmentation In "Age of Globalization" when nations are theoretically being brought closer together-nationalism has spawned fragmentation. Example: since the number of independent nations recognized by UN has risen from about 50 to over 07/16/09 3.

The founding assumption of the post cold war settlement was that global economic integration would drive closer political cohesion. The frontiers of globalisation are being rolled back. While fragmentation is disrupting globalization, regionalization is simply changing how it works. Regionalization means that companies are looking for natural trading partners, shortened supplied lines, and quicker reaction times as well as being able to tailor products better to local conditions and taste preferences. China is leading the regionalization movement, but domestic rather than international considerations are playing a major role in that decision. Total trade in goods and services, having initially bounced back from the global financial crisis, has slowed sharply. Usually growing twice as fast as the world economy, it is underperforming gross domestic product for the first time in four decades. Activity that previously involved cross-border trade has been brought within national economies, notably China. A slowing of measured trade growth is not therefore a cause for alarm. It does, however, underline that policy makers should be alert to assess and shape the changing future of globalisation. You have make yourself part of the domestic or regional system and tailor your supply chain to fit that model. By virtue of the fact that you are foreign, you are at a disadvantage. Capital does indeed flow around the world. But as Pankaj Ghemawat of the Harvard Business School has observed, 90 percent of fixed investment around the world is domestic. Nor is the globalization paradigm even accurate when applied to manufacturing. Instead of fleeing to Asia, U. Global Prosperity and How to Achieve It. The traditional picture of globalization has not always been accurate and its emerging regional nature is nothing to be feared. It does, however, require companies to adapt to the changing business landscape. The big winners are those companies that have established a significant international footprint â€” especially in emerging markets â€” pulling ahead of companies with a regional or domestic focus. Rather, it is morphing into a more nuanced and more complex phase, with the inexorable forces that drove the previous phase still very much alive. First, position your company geographically. Second, they recommend that companies learn how to deal with rapidly changing conditions around the world. You have to be able to abandon certain operations without undermining your global operations. Yet the most successful are anything but.

Chapter 3 : Globalization and Fragmentation - Ian Clark - Oxford University Press

As we approach the end of the twentieth century, a widespread interest in globalization is thought to be changing all economic, political, and cultural life. Ian Clark takes globalization--and its opposite, fragmentation--as the organizing theme for a grand retrospective of twentieth century international history.

The process of globalization has had a dramatic impact on the lives of women in developing countries in the past decade. They have been increasingly drawn into insecure flexible employment working for the world market. The feminisation of the labour market has increased the burdens on women, and the inability of men to access full-time well-remunerated employment has exacerbated the process of male out-migration and has left many families headed by women. At the same time the reduction in state services and welfare has increased the burdens placed on women. Nevertheless the consequences of globalization have been different for different women in different places. In some circumstances it has created opportunities for greater empowerment, whilst in others it has stimulated a reaction and increased the subordination of women. This book explores the experiences of women in diverse local contexts within different cultures and faiths, drawing on case studies from Asia, Africa and Latin America. It draws out the contradictory and fragmented impact of globalization at the local level on the lives of women in the developing world. Though the year marks the turn of the century and of the millennium, the great turn in the realm of international politics occurred a decade earlier, with the Revolutions of But while the dramatic collapse of communism left no room for doubt that the era of the Cold War had come to an end, there was very little agreement about the nature of the new international order being born. This book explores the emerging post-Cold War international system and its implications for the future expansion and consolidation of democracy. Bringing together both experts on international relations and scholars of democracy from Europe, North America, and Asia, it examines the link between these two subjects in a way that is rarely done. While a large literature has emerged in recent years on the effects of democracy on international relations the debate over what is often called the theory of "democratic peace" , the authors of the present volume instead examine the other side of this relationship -- the impact of the international system on the prospects for democracy. Examination of recent trade data suggests that offshore sourcing of parts and components, as well as offshore assembly, are assuming an increasing role in the world economy. The theoretical implications of this type of specialization are examined in several chapters with the aid of both Ricardian and Heckscher-Ohlin trade models. Production is first decomposed "fragmented" into its constituent parts and activities, and then it is at this level that factor-intensities and technologies are calibrated. The implications of intra-product specialization and component trade are investigated under conditions of free, restricted, and preferential trade. The role of multinationals is explored and the importance of cross-border service-links among component activities is examined. Overall, extension of the principle of comparative advantage beyond products to the realm of parts and components is welfare-enhancing. Industries take advantage of offshore sourcing in order to reduce costs and increase competitiveness. Component specialization offers new and additional opportunities for the exploitation of scale economies. Across a broad range of conditions, it raises output and employment. Its effects on wages are spelled out. Trade between advanced, high-wage and developing low-wage countries is an obvious candidate for the two-way application of component specialization. The empirical part of the volume presents an evaluation of new data which allow the separation of trade in components and in final products. It also provides assessments of the role of component specialization in the trade of several countries and regions. In addition to their relevance for trade theorists and country specialists, the studies collected in this volume have interesting implications for the conduct of trade policy. They contradict claims that trade with low-wage countries must be welfare-reducing and they suggest new approaches to industrialization and economic development.

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Chapter 7 : Introduction: Women, globalization and fragmentation. | calendrierdelascience.com

The State between Fragmentation and Globalization Serge Sur The terms used in the title of this essay were chosen to enable us to go beyond a purely legal approach in order to integrate legal facts into the broader legal context.*