

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

Introduction

In the *Global Shift: Reshaping the Global Economic Map in the 21st Century*, Peter Dicken (2003) addresses directly the what, why, and how questions of globalization. In his introductory first part of the book, in Chapters two and three, Dicken summarizes the debate of defining globalization, and later introduces the “anti core-periphery” production network concept, which establishes the basis of his proceeding presentation of globalization. After describing in detail the primary features of production networks, governance, spatiality, territorial embeddedness, Dicken presses on for his storyline of the global shift by employing a historical flow analysis of global production, trade, investment, and technology. One of the important points that resonate throughout the book surfaces in these early Chapters, where Dicken argues that the map of where core economic activity takes place has indeed changed particularly in the last 50 years, the change has not produced a fully global world. He describes the production network as a production chain which is fully integrated in its external environment, composed of technology, research and development, logistic services, financial system, regulation, coordination, and control, hence “extremely complex structures with intricate links, horizontal, diagonal, as well as vertical – forming multi-dimensional,

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

multi-layered lattices of economic activity.”¹ While production chains may be linear, the production networks are much more integrated, as they ought to be within the context of a global world.

The discussion of the three features, dimensions of production networks as Dicken terms them, play a more realistic tune to the production network idea, which at a first glance suggests full integration and connectedness. Indeed one of the reasons for different levels of globalization found around the world can be described by the spatiality and territorial embeddedness of production networks, and to a certain extent the governance of production networks increasingly by transnational corporations (TNC), which are, contrary to their reputation, not placeless, rather embedded in their regional clusters as described in Chapters 7 and 8. TNCs play a critical role in the decisions executed in the production network as described under the heading of governance, and while their role cannot be overlooked, the impact of states and supranational, i.e. IMF, WTO and regional economic groupings, i.e. EU, NAFTA, play an equally important role in shaping the global economy, which in sum address the territorial embeddedness of production networks. The concept of spatiality, in other words the level of concentration or dispersion of production networks is another key feature of the processes which lead to a global economy: “Production networks are intrinsically spatial and

¹ Pg. 16.

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

territorial. They are 'grounded' in complex ways, with strong tendencies to form geographical clusters of activity."² Dicken describes the triangular nexus of relationships taking place between firms and states, in which production networks operate, and thru those operations modified by the power-play between governments and governments, firms and firms, and government and firms, global economy is reshaped.

Especially in these first chapters, Dicken unravels his historical flow analysis of global production, trade, investment, and technology. Formation of generalized and specialized clusters can be attributed to historical developments, as well as what Dicken terms as path dependency, when "an economy becomes locked into a pattern that is strongly influenced by its particular history."³ Particularly in Chapters 3 and 4, Dicken lays out the empirical evidence supporting his historical flow analysis by reviewing the changes in the areas of production, trade, investment and technology which have taken place in the last 50 years. As Dicken compares the widening gap between trade and production, we understand that the global economy has witnessed a roller-coaster ride, where volatility in economic growth and faster growth of trade rather than production are observed. Reiterating his argument in a previous chapter, Dicken provides us with crucial economic data, which proves his initial statement of heavy clustering in the

² Pg. 3.

³ Pg. 24.

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

globalizing economic system in the world, where manufacturing remains concentrated in a relatively small number of countries, US, Japan, and Germany alone accounting for almost 60% of the total production. In relation to trade, we see further evidence of clustering, where trade is mostly intra-regional, with EU as the major trading region, followed by East Asia, and North America.⁴ In Dicken's historical analysis of investment, foreign direct investment (FDI) in particular, we witness similarly predictable data, where FDI flows within developed market economies, with uneven and significantly less investments to developing countries. This grim observation becomes especially important towards the end of the book where Dicken addresses the impact of the production network processes on people and places, by considering some of the burdensome side-effects of globalization related to poverty, population growth, and making a living.

Dicken devotes an entire chapter to technology, and its space-shrinking impact on transportation and communications. While the impact of technology over globalization is significant, this impact should not be mistaken for the main driving course, since technology is dependent on external social and economic context. Nevertheless, a number of technological innovations, not limited to commercial jet aircraft, container shipping, satellites, optical fibers, electronic media, television,

⁴ Pg. 41.

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

internet and the like, have made a significant impact on the network processes, as well as the triangular nexus which I've addressed earlier.

Upon the above summary of Dicken's approach to describing the what, why and how of globalization, I will discuss some of the finer points introduced in the Global Shift, such as the differing strategies of transnational corporations and states and case studies of countries and sectors. I will conclude book review by addressing some of his last chapters, and end with a consideration of his general approach to describing globalization. Abbreviated summary describing the general flow of his argument is also provided at the end for further reference.

Natures and Strategies of TNCs & States

The processes and the power-play which continue among states, TNCs and between states and TNCs are among the forces shaping global economy today. In realizing its merits, Dicken has focused on the states first, especially since most globalist enthusiasts tend to downplay the role of government and states, and prefer rather to focus on the competitive advantage TNCs have over states in negotiating, and the mobile character of TNCs which may side-step regulations by moving to another state which has more favorable regulations. TNCs aside, Dicken does a good job of describing to the reader why states still matter. In

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

Chapters 5 and 6 he begins describing state's importance by focusing on the four major aspects of the role of the state:

- Container
- Competitor
- Regulator
- Collaborator

In describing the container role of the state, Dicken utilizes a very well-known study of Hofstede's four different cultural dimensions to support his argument that "the nation state is one of the primary containers or such cultural structures and practices – of distinctive 'ways of doing things'."⁵ In addition to different cultural values of individualism versus collectivism, power distance, uncertainty avoidance, and masculinity versus femininity, Dicken rightfully points out that significant variations not only exists between socialist and capitalist economic systems, but considerable variations similarly exist among capitalist nations, i.e. US, Germany, and Japan.

In describing the regulatory role of the state, Dicken surveys differences among states in trade, foreign investment and industry policies. Another aspect of the role of state that still makes it a significant actor in the global economy is state's inherent nature of competition with other states. Dicken provides satisfactory

⁵ Pg. 126.

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

arguments from both Krugman, and Porter. Each of these authors take a differing view on whether states competing with other states is a realistic assumption with enough empirical data to back it up. Regardless, both Krugman and Porter agree that states require resources, sometimes more, sometimes less, but nevertheless a significant level, which has an undeniable bottom line impact on the direction of globalization. Finally in Chapter 5, we are introduced to the role of states as collaborators, and the “tendency of states to develop political-economic relationships at the regional scale.”⁶

Case Studies

In the subsequent Chapter 6, Dicken takes up a few country case studies to describe some of the variations in state economic policies, and the impact these variations have on influencing the course of globalization. Among the Western capitalist systems, United States, United Kingdom, France, and Germany have all went thru different regulatory emphases. For example, while both United States and United Kingdom are strong advocates of free trade, United Kingdom is typically willing to employ a more facilitating strategic role in technology, capital, and building dynamic clusters. We see similar variations in France’s state industrial policy whereby government of France retains significant holdings in key areas such as aerospace, and nuclear power in order to sustain France’s technological

⁶ Pg.145.

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

independence. Lastly in Chapter 6, Dicken touches on the role of state in newly industrializing and emerging market economies, by describing their industrialization thru three mechanisms;

- Exports of indigenous commodities
- Import substituting industrialization
- Export-oriented industrialization

Trend Analysis

Dicken ends the final Chapters of his book by describing the negative effects of globalization, i.e. growing inequality, increasing concentration of wealth, environmental destruction, regulatory arbitrage between TNCs and states, and weak international governance, especially in finance, which tends to increase volatility and uncertainty for the most part rather than assisting in the promotion of free flow of financial resources in a borderless global economy. Uneven development continues to be a difficult problem not just for the NICs, but for a significant number of individuals in the industrialized nations as well. However, the problems are most grave in transitional economies of the old Soviet Union, and in the countries traditionally labeled as the South. The global shift influences everything from lowering of birth rates in Russia, to corruption scandals in Zimbabwe. An article published in a mass weekly circulation of Russia titled

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

Argumenty I Fakty describes the lowering of birth rates in Russia due to poor health care, perceived inadequate opportunities in Russia for children once they grow up, and lack of proper nutrition.

Conclusion

Dickens does a good job of tapping into various disciplines from economy, to business, to fiancé, to social sciences, and to history in describing the high complex topic of globalization. He successful demonstrates that space and place matter using empirical data and historical flow analysis. He touches the various scales demonstrated in the first chapter by describing the distinct features of the local, national, regional, and global economies, as well as incorporating a very satisfactory argument related to the triangular relationship between transnational corporations, nation-states, and technology.

In his next volume, Dicken may want to add more recent examples of how globalization impacts society, and provide more specific examples of transnational corporations

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

Basic Outline of the Book

- Chapter 2** Network concept: connections between economic activities & power relationships.
Production networks-strong tendency to form geographic clusters of activity
- Chapter 3** The “empirical Chapter” explaining global economy’s change in the last 50 years. Intensification of competition with new geographical centers of economic activity. The change is measured thru production, trade, & FDI.
- Chapter 4** Technology’s role in the change of global economy. Space shrinking technologies in transportation & communications.
Innovations in product and process technologies
- Chapter 5** States are a significant agent in the global economy
- Chapter 6** Country case studies demonstrating convergence and divergence of states with different socio-political systems.
- Chapter 7** Why and how TNCs came to existence. TNCs are not placeless, they are embedded in their geographical environments.
- Chapter 8** TNCs are tied to their regions
- Chapter 9** Relationship between TNCs and states are intertwined in both

Senem Evrim Ozer

12/22/2005

IR 728

Global Shift: Reshaping the Global Economic Map in the 21st Century
Short Paper

conflictive & collaborative ways

Globalization of economic activity is due to the strategy of

TNCs, character, direction and nature of technological change,
and strategy of national governments

- Chapter 10** Sectoral studies, analyzing how the above triangle works, and
- Chapter 11** the outcomes achieved. Manufacturing: -textile and garments,
- Chapter 12** automobiles, semi-conductors. Services: finance, distribution
- Chapter 13**
- Chapter 14**
- Chapter 15** While the previous Chapters focused on the patterns and
processes of change in the global economy, Chapters 15-18
concerned with the impact of the processes on people and
places
Major dimensions of the problem: poverty, population growth, &
making a living
- Chapter 16** Losers in developed countries
- Chapter 17** There are also significant losers in developing countries
- Chapter 18** Key issues of global governance relating to finance, trade, labor
standards, and the environment.