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**Developmental States and Business Groups:  
Review on the Global Commodity Chains Approach**

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The academic interest in East Asia increased along with the question of how to explain the outstanding economic development in Japan and Newly Industrialized Countries (NICs hereafter) since World War II. What is called the developmental state thesis has been the center of attention in this field and a hot potato after the stagnation of Japanese economy since the early 1990s and the financial crisis at 1997<sup>1</sup>. However, the developmental state approach has been blamed for its dichotomy between strong state and weak state and its exaggerating the institutional capacity of the state. In this sense, another version proposed by Evans (1995) helps to overcome the strong-weak dichotomy in the developmental state thesis through the lens of embedded autonomy. I will argue

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<sup>1</sup> For instance, how to explain the demise of the Asian model with the same list of covariates which were once used to validate the economic miracle? So-called crony capitalism is inherent in the Asian model or not? This is a tough issue to tackle here, but I would like to introduce some counter-arguments. First, whether or not we believe that the recent troubles in Japan and Korea are due to activist ITT(industry, trade and technology) policies, we cannot deny that these policies were behind their ‘miracle.’ Second, Taiwan, despite having used activist ITT policies, did not experience any financial or macroeconomic crisis. Third, all informed observers of Japan, regardless of their views, agree that the country’s current recession cannot be attributed to government industrial policy – it has more to do with factors like structural savings surplus, ill-timed financial liberalization (which led to the bubble economy) and macroeconomic mismanagement. Fourth, in the case of Korea, industrial policy had been largely dismantled by the mid-1990s, when the debt build-up that led to the recent crisis started, so it cannot be blamed for the crisis. Indeed, it could be argued that, if anything, the demise of industrial policy contributed to the making of the crisis by making ‘duplicative investments’ easier (Chang, 2002: 50-1).

that both of them are basically based on the state-centralism and thereby it does not pay due attention to the spatial and network embeddedness of capitalist development. The corollary is that it fails to grasp that the economic development in East Asia has been a regional phenomenon (Cumings, 1984). In this aspect, the global commodity chains (GCCs hereafter) approach at the meso level - with an affinity with economic sociology although it is originally from the world-system perspective (Hopkins and Wallerstein, 1986) - paves the way for our understanding of the evolution of Asian business networks and the roles they have played in the economic development in the NICs. In the final part, I will bring up some problems with the GCCs approach and discuss them.

In the late 1980s and early 1990s, the theory of the developmental state arose to challenge neoliberal orthodoxy explaining the rapid and successful industrialization of the NICs in East Asia. The bottom line of that theory is that the economic success of Japan and other East Asian countries was due to their adoption of the developmental state model in which the state had to play the central role in guiding economic development and had to lead rather than follow the market (Gilpin, 2001: 316). For instances, the postwar Japanese economic growth cannot be explained without the roles the state had played especially through the agency of Japan's MITI (Ministry of International Trade and Industry) (Johnson, 1982)<sup>2</sup> which is equivalent to the Economic Planning Board in Korea and

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<sup>2</sup> Successful growth-oriented intervention depends on four major elements (Johnson, 1987: 145): 1) Stable rule by the political-bureaucratic elite that can resist political demands that would undermine economic growth; 2) Cooperation between the public and private sectors under the overall guidance of a strategic planning agency; 3) Heavy and continuing investment in education for everyone, combined with policies to ensure the equitable distribution of wealth; and 4) A government that understands and respects the importance of market-determined prices. (See also Johnson, 1985: 66-7). For the thesis of 'governed market' and 'alliance capitalism,' see Wade (1990, especially 1992). Zysman (1983) focused more on the financial system to contend that the Japanese credit-based

the Council on International Economic Cooperation and Development in Taiwan. Okimoto (1989: 23) summarized the industrial policy package during the 1950s and 1960s: establish sectoral priorities; mobilize resources to hasten their development; protect infant industries; issue guidance on investment levels; organize rationalization and anti-recession cartels; allocate foreign exchange credits; regulate technological flows in and out of Japan; control foreign direct investment; issue 'administrative guidance' enjoying quasi-legal status; and publish white papers on mid- and long-term visions of Japan's future industrial structure. It is the case with Korea or Taiwan albeit to a less extent.<sup>3</sup>

What I quoted above gave more weight to the extraordinary ability of the state, some other scholars focused more on the state-business relations to enrich the development state theory. For example, Hamilton and Biggart (1988)<sup>4</sup> examined how business groups interact with the state to propose three different models: the strong state model for South Korea, the strong intermediate power model for Japan, and the strong society model for Taiwan. Although both Weiss (1998) and Evans (1995) are also interested in 'organizational linkages of the state with industry' (Weiss, 1998: 33), they provide the most refined version of the development state theory, but to the best of my knowledge. Evan's concept of embedded autonomy has made a significant breakthrough for understanding the

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financial system with state-administered prices facilitated intervention and ease the political problems of mustering support for state-led industrial promotion.

<sup>3</sup> Wade, 1990; Amsden, 1985; Amsden, 1989; Hamilton and Biggart, 1998 for South Korea and Taiwan. Suffice to say here that the developmental state theory overlooks that there are some significant differences across NICs in terms of the strength of the state intervention. For the list of forms of state invention, see Henderson and Appelbaum (1992: 21-2). According to their summary, South Korea ranks first (9 out of 10), and Taiwan (6 out of 10), Singapore (4 out of 10), and Hong Kong (3 out of 10) follow in the descending order.

<sup>4</sup> While nation states are the unit of analysis in their study, they mentioned the substantial forward and backward linkages composed of business groups and subcontracting networks.

business-government relationship in a new way. He grew out of the strong-weak dichotomy to ask how differently the state has the embedded autonomy, instead of whether the state is strong or to what extent: “Only when embeddedness and autonomy are joined together can a state be called developmental.” (Ibid: 12) As he sees it, the government with more capacity to support and control the economy should be autonomous from business sectors, but they can regulate the economy through social networks, besides formal institutions, that are linked to every corner of business sector. In other words, his emphasis on the business-government networks rekindles attention to the importance of informal regulation besides formal and institutionalized regulation<sup>5</sup>. By focusing on informal coordination, we could answer why business groups follow some rules but not others, given the similar institutional settings. In this way, the embedded autonomy is a heuristic tool to compare the NICs and developing countries in Latin America. He (Ibid: 126) contended that the Korean government, unlike Brazil and India, has noticeable embedded autonomy.

“Nor is the difference that the Korean state intervened less than Brazil and India. The difference lies in the Korean state’s blend of roles, which was in turn rooted in the structure of the state

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<sup>5</sup> This idea is not that new since there are some studies on the unique relationship between the state and business groups such as “obligated reciprocity” (Dore, 1986) and “network state” (Okimoto, 1989). Suffice to say here that all three did not mention arguably one of key factors of the Japanese government’s embedded autonomy: Amakudari (“descendent from heaven”: 天下り). Colignon and Usui (2003) provided interesting data: such as 1) The Ministry of Finance is a central point in the path of Amakudari to the private sector; 2) Amakudari is associated with larger firms, keiretsu-affiliated firms, firms located in the Kanto area, and firms in the banking, insurance, and service industries with expanding proportions of employment; 3) Amakudari has various functions from regulation to resource dependency between the government and the private sector. In this way, Amakudari creates a linkage between the most powerful segments of the bureaucracy and the more established segments of the private sector. To put it another way, the Japanese government relies on informal regulation of private business sectors through Amakudari besides predictable institutional regulation.

and the character of its ties to society. Internal coherence and close ties to entrepreneurial elites offered fruitful foundations from which to promote a new sector. Korea's embedded autonomy made it easier to adopt an effective combination of roles."

Weiss (Ibid: 5) provided a concise definition of state capacity by "the ability of policy-making authorities to pursue domestic adjustment strategies that, in cooperation with organized economic groups, upgrade or transform the industrial economy," and then she coined the new concept, 'governed interdependence (GI).'

In contrast to existing approaches, GI theory rejects the notion that the state's ability to 'impose' its decisions is central to its transformative capacity... Of central importance is the state's ability to use its autonomy to consult and to elicit consensus and cooperation from the private sector. I call this a special kind of infrastructural power because, through its linkages with key economic groupings, the state can extract and exchange vital information with producers, stimulate private-sector participation in key policy areas, and mobilize a greater level of industry collaboration in advancing national strategy (Ibid: 38-9).

She owed much to Evans and she actually accepted his idea of embedded autonomy. However, "In Peter Evan's formulation, the state can have transformative capacity only while capital remains in a relatively dependent-subordinate relationship to the state. Ironically, perhaps, this may be why he leans towards the view that the transformative states of the East Asia are destined to have a short shelf life" (Ibid: 37). By contrast, for the question of what are the sources of state capacity, she contended that "state capacity is a product of *institutions*<sup>6</sup> governing domestic linkages, rather than of policy 'tools' or *level of international integration*, or private-sector weakness." (Ibid: 8.

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<sup>6</sup> One of three propositions in Weiss (2003a: 27) is "In conditioning the way states seek to move in the room that they have, the character of domestic institutions (as constellations of normative orientations and organizational arrangements) is decisive."

Emphasis is mine). Most of scholars that have advocated the developmental state thesis are ready to admit that the institutional capacity of the state to coordinate the economy has been 'weaker' than before over the last two decades in Japan and the NICs. However, she suggests examining how the state power is reconstituted instead of asking whether the decrease of the state power or not to assert that we are witnessing the emergence of 'catalytic states (Ibid: 209-11)' (as the 'post-developmental states') in NICs.

“Ironically, the impact of the Asian Crisis has not been to disengage the state from the economy even further, as many have anticipated, but rather to bring it back in – in a number of new and significant ways... Whilst governed interdependence has definitely waned in regard to the traditional chaebol-subsidised credit-developmental state nexus, our sectoral evidence indicates that new forms are continuing to emerge in post-crisis Korea.” (Weiss 2003b, 256-8).

There have been not a few literatures that criticize the development state theory. But, for the purpose of my review, first of all, the statist perspective fails to bring in the spatial embeddedness of capitalist development. Students of critical economic geography have recently expressed serious concern with this issue, but their researches are primarily about, for example, industrial districts in the North America or Western Europe. Rather, Cumings (1984) for the first time took into account the economic development of Japan and NICs as a regional phenomenon<sup>7</sup>. In the similar vein, Hamashita noticed that there is an intermediate layer of analysis, the region or zone, which mediates between the historical processes of a country and the historical processes of the global world-system (Ikeda, 1996: 52).

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<sup>7</sup> It should be noted that the flying geese model or the product cycle also “fails to put forward any conception of regionality beyond that of country-centred models” (Bernard, 1996a: 653). For a comprehensive and convincing critique of the flying geese model, I would like to recommend Bernard and Ravenhill (1995).

Another problem with the development state thesis is the dichotomy between market and state as it is repeated in the debate on how to interpret the demise of the Asian model (e.g. market failure or state failure). This issue is closely related to ‘governance,’ which means that both the development state theory and the market approach are inclined to dismiss other forms of governance except state and market. As I see it, Arrighi (1996; See also Arrighi (1994) and Arrighi et al. (1999)) has contributed substantially to our understanding of the issue of governance from the historical perspective, following Braudel. In his opinion, only Japan is the closest to a national state but the rest of states in NICs have the quasi-state nature. He directs his attention to the fact that “city-states, diaspora capitalist classes, quasi-states and quasi-empires have all played as critical a role as nation-states.” (Arrighi, 1996: 18-9). There have been those forms of governance throughout the history, but they do not capture our dichotomized attention. To put it another way, the leading agencies of the formation and expansion of the capitalist world system appear to have been organizations that are either something less (i.e., city-states and quasi-states) or something more (i.e., quasi-empires) or something different (i.e., business diasporas and other trans-territorial capitalist organizations) than nation-states (Ibid: 27).

Put together, it comes down to the spatial and network embeddedness of capitalist development. Bernard (1996a: 653) provides a good summary about this issue<sup>8</sup>: “Network approaches have incorporated the transnational linkages across Eastern Asia into an analysis of a regionalized political economy. Regionalization is, in turn, seen as an integral part of the broader process of the

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<sup>8</sup> See also Hatch and Yamamura (1996). However, they focused too much on the Japan-led production networks and thereby they underestimate the commercial networks of ethnic Chinese capital as Bernard (1996a) pointed out. The more balanced view can be found in Arrighi, Ikedas and Irwan (1993), Arrighi (1994), and Arrighi et al. (1999).

globalization of production structures.<sup>9</sup>” The large-scale vertically integrated conglomerates (Chaebol) in Korea and the smaller-scale firms in Taiwan became linked to Japanese industry, often on the basis of personal relationships dating back to the colonial period, in production networks tied to Japanese supplies of key components, machinery, materials, marketing channels and technological trajectory. By comparison, in Southeast Asia post-colonial states, in most cases, co-existed with an ethnic Chinese commercial and financial bourgeoisie and the continued presence of capital from the former metropole. The leading agency in the formation of regional business networks in the 1970s and early 1980s was Japanese trading and manufacturing companies<sup>10</sup>. From the mid-1980s onwards, however, the leading role of Japanese companies started being supplemented by the activities of the overseas Chinese business diaspora (Bernard, 1996b; Arrighi, Ikeda and Irwan, 1993; Arrighi 1994b; Irwan 1995).

In these respects, the GCCs approach must be a useful toolkit for the analysis of regionalized networks of Asian business to help us see the economic development of NICs from a different viewpoint: 1) In terms of the macro-micro link, “this sectoral or commodity chains approach thus links the macrolevel issues related to the structure of the world-economy with the mesolevel characteristics of national development strategies, and the microlevel emphasis on the social and

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<sup>9</sup> I would like to add that, as Bernard and Ravenhill (1995) implicitly touched, network data rather than national data is required to better understand how production has been organized within the Asian region.

<sup>10</sup> The Japanese subcontracting system which has expanded transnationally in the 1970s and 1980s (especially more since the Plaza Agreement owing to the yen appreciation) has four unique features. See Arrighi (1994: 342-4). It should be also noted that the transnational expansion of Japanese business is less reliant on majority ownership than US or Western European business. (e.g. minority ownership or joint ventures from the beginning) As he aptly pointed out, the Japan-led production networks have been underestimated by data on FDI (Ibid: 345-6). Bernard and Ravenhill (1995) handled this interesting issue shortly.

political embeddedness of domestic and international contracting networks.” (Gereffi, 1994: 214);

2) Unfortunately, it seems to me that Arrighi (and his collaborators) disregarded the roles the buyer-driven commodity chains have played in the Pacific Rim network and substantial implications of the emergence of ‘triangle manufacturing’<sup>11</sup> that came into being in the 1970s and 1980s. US buyers place their orders with the NIC manufacturers they sourced from in the past (e.g. Hong Kong or Taiwanese apparel firms), who in turn shift some or all of the requested production to affiliated offshore factories in one or more low-wage countries (e.g. China, Indonesia, or Vietnam). Triangle manufacturing changes the status of the NIC manufacturer from a primary production contractor of the US buyers to a middle man in the buyer-driven commodity chains. (Gereffi, 1994: 224-5). Unlike Arrighi, Bernard seemed to detect the buyer-driven commodity chains led by the US retailers since the WWII on the earlier phase of the economic development in the East Asian NICs.

“The organization of production across a range of industries from consumer electronics to machinery and automobiles reveal regionalized industries featuring inter-related manufacturing sectors organized in hierarchical networks of firms built around production and innovation concentrated in Japan and dependence on exports of finished products to the United States and other extra-regional markets.” (Bernard, 1996a: 653-4)

He regarded it as a third form of network in the Asia region in addition to Japanese subcontracting networks and Chinese business networks, but we are able to cover those two networks with the concept of commodity chains; 3) The prevalent view to explain the outstanding economic success in the East Asian NICs since the WWII was that they pursued Export-Oriented Industrialization (EOI hereafter) from the beginning whereas the NICs in Latin America instead took another strategy, Import-Substituting Industrialization (ISI hereafter). Gereffi does not agree with this sort of conclusion. He stressed the contrasting sequences between the two regions, but he found out that

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<sup>11</sup> See also Figure 1 [Industrial upgrading in the Asian apparel value chain] in Gereffi (2005: 172).

their development strategies are quite similar by the end of 1950s. Why did Korea and Taiwan change from primary ISI to primary EOI in the 1960s, while why did Mexico and Brazil not, then?

<Table 1 about here>

However, his answer to the origin of the development state in South Korea and Taiwan is not that sophisticated. “The subsequent divergence in the regional sequences stems from the ways in which each country responded to the basic problems associated with the continuation of primary ISI.” (Gereffi, 1989: 517) Without any clarification of what the basic problems were<sup>12</sup>, he tried to explain that divergence with the different type of transnational economic linkages such as foreign aid, foreign trade, FDI, and foreign borrowing. For example, FDI sustained secondary ISI in Latin America, much as massive foreign aid flows made primary ISI possible in East Asia. Recall that Weiss also did not clarify the origins of the developmental states in those two archetypal countries. One might suggest, following Cumings, that the development state could be expounded by the colonial legacy in common with both of countries. Weiss might suggest that its origin might be ascribed to the institutional infrastructure. Chibber (1999) brought up a provocative question: How did the state of South Korea acquire its capacity in the 1960s enough to force the Chaebol to accept the sudden change in the development strategy from ISI to EOI? Why not 1950s or 1970s? More interestingly, she reversed the causal direction to contend that “it was the launching of EOI that provided the basis for building a developmental state” (Ibid: 312) and the emergence of an alliance between Korean capitalists and Japanese multinationals in the early 1960s was a critical factor

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<sup>12</sup> See also: “This subsequent divergence, with Mexico and Brazil pursuing a strategy of ISI deepening while Taiwan and South Korea shifted to primary EOI, stems from the way in which each country responded to external as well as domestic problems, rapid inflation, and the interests of foreign investors in the economy.” (Gereffi, 1996: 215)

(Ibid: 329-36)<sup>13</sup>. No wonder she mentioned twice the buyer-driven commodity chains in the textile industry, but it was the case with other products that were exported to the US market. Table 2 shows that the trade pattern among South Korea, Japan, and the US changed dramatically by the end of 1960s. In this sense, I still think that Gereffi often overemphasized the effect of the buyer-driven commodity chains led by the US retailers on the take-off of the development state. Although he blamed Bernard of his overstatement of Japan-led networks (Gereffi, 1996: 88), it is hard to deny that they had been always in the central position (1<sup>st</sup> phase) and immediate position (2<sup>nd</sup> phase). Table 3 shows that the ‘producer-driven commodity chains’ in the automobile industry which had constituted the backbone of Japanese subcontracting networks was established already in the 1970s. Figure 1 indicates that Japanese overseas manufacturing investment in the earlier phase of EOI was concentrated on the East Asian NICs, which was in stark contrast to the investment pattern of the South Asian countries<sup>14</sup>. Figure 2 provides the big picture of Japanese manufacturing FDI at the second phase<sup>15</sup>.

<Table 2 about here>

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<sup>13</sup> Similarly, the take-off of the Taiwan economy and the consolidation of its development state correspond to the rise of the mass-marketing retail revolution led by the US giant retailers. For this, see (Gereffi, 1989; 1996).

<sup>14</sup> The investment in South Korea shows the upswing in the end of the first phase.

<sup>15</sup> This statistics is basically about the US dollars, not the number of FDI (Figure 1). The change in the investment scale (per one case) over time should be considered.

What are still problems with the GCCs approach, notwithstanding? Because of the limitation of space, I will discuss only three issues, drawing on Bair (2005) but in a different way. First of all, there is the disjuncture between the original formulation by Hopkins and Wallerstein (1986) and Gereffi's version, as she pointed out.

“Use of this concept has considerable advantages over other methods of tracking and depicting a trans-state division of labor. The predominant current procedure is to trace primarily the economic flows between states (that is, across frontiers) such as trade, migration, or capital investment... Such efforts do not, however, and for the most part cannot, show the totality of the flows or movements that reveal the real division, and thus the integration, of labor in complex production processes.” (Hopkins and Wallerstein, 1986:160).

By contrast, Gereffi's main focus is not on how GCCs are intertwined with the international division of labor although there are some exceptional researches (e.g. Gereffi, 1993; Gereffi, 1996)<sup>16</sup>.

Another related concern in Hopkins and Wallerstein was the relationship between the contraction and expansion of commodity chains in the world-economy and those of the international division of labor from the historical perspective (i.e., “A rhythmic production system?” and “Periodic restructuring of the division of labor?”, although they did not mention the K-waves or other cycles explicitly). Some pioneering studies in Gereffi and Korzeniewicz (1994) are exceptional, but Gereffi and his followers did not contribute much to this theme<sup>17</sup>. As Bair (2005: 170) informed, the

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<sup>16</sup> In this aspect, Bonacich (2003) and Bonacich and Wilson (2005) is quite exceptional.

<sup>17</sup> Although the world-system perspective has been blamed for the ad-hoc concept of semi-periphery and Gereffi has criticized it for some other reasons, I still think that the world-system theory has contributed to our understanding of the economic development of the NICs in the context of the

GCCs approach need to think about the following questions more seriously: “Can we explain similarities in the development of different commodity chains across industries in terms of systematic processes? For example, can we articulate the increasing salience of buyer-driven commodity chains with an analysis of structural transformation in the global economy?”

Also, he does not pay much attention to “how commodity chains structure and reproduce a stratified and hierarchical world system.” (Bair, 2005: 156) This issue is related to the objective of the GCCs-based analysis in terms of policy implications as well. I cannot help casting doubt on whether ‘industrial upgrading’ really helps much in moving up in the ladder of the world-system hierarchy especially during the phase of financial expansion. As Gereffi (2005: 169) claimed, by contrast to so-called “varieties of capitalism” approach, the GCCs approach (or Global production network approach in a broader sense) “highlights the linkages between developed and developing countries created by TNCs and interfirm networks.” His argument is also valid as far as the critique of the reified and static conceptualization of the core-periphery hierarchy is concerned. However,

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dynamics of the world economy since the ‘development by invitation’ in Wallerstein’s term. In the long duree context, there are some seminal studies on the encounter of the Europe-centered system with the Sino-centric tribute-trade system by Japanese scholars (Hamashita, Kawakatsu). Frank(1998) carefully examined how the two systems collided and interacted with each other to transform into the modern interstate system (For an interesting comparison of Frank and Hamashita, see Arrighi(1996)). Above all, Arrighi and his collaborators (Arrighi, 1994, 1996; Arrighi, Ikeda, and Irwan, 1993; Arrighi and Silver, 1999; Arrighi, Hamashita, and Selden, 2003) have consistently investigated, through the lens of three temporalities (i.e., 500 year, 150 year, and 50 year), the historical contours of the Asian political economy and its implications for the future world-system. For Taiwan and Korea, see Aseniero (1994), and for Japan, see Ikeda (2004). This is why So and Chiu (1995, 2000) argued that world-systems perspectives can provide the large-scale, holistic, and long-time-span heuristic devices while focusing on the development of geopolitics in the Asia region.

In the 1980s, other states in the region (i.e., Southeast Asia) have experienced rapid industrialization, but no upward mobility in the value-added hierarchy of the capitalist world-economy... Japanese and East Asian ‘exceptionalism’ in the midst of the crisis and financial expansion of the US regime of accumulation is not adequately or reliably gauged by the continuing sustained industrial expansion of the region. The most important sign of the rise of East Asia to a new epicenter of systematic processes of capital accumulation is that several of its jurisdictions have made major advances in the value-added and world money hierarchy of the capitalist world-economy. (Arrighi, 1994: 336-7)<sup>18</sup>.

Arrighi(2005), while criticizing students of global capitalism school and global commodity chains for disregarding the core-periphery hierarchy, points out that the growing ‘financialization’ of Northern economies has been an integral aspect of the process that has reproduced the North-South income (wealth as well, I think) divide in spite of North-South ‘industrial’ (emphasis is mine) convergence.

The last issue is about the position of financial capital in the GCCs approach. For instance, Gereffi (1996) addressed the circuit of capital (i.e., industrial capital, commercial capital, and finance capital), but he threw out financial capital immediately. “Industrial and commercial capital have promoted globalization by establishing two distinct types of international economic networks, which we call ‘producer-driven’ and ‘buyer-driven’ commodity chains (Ibid: 81).” He stopped to mention that international production and trade are buttressed by a global financial system (Gereffi, 1995). Suffice to recall that he tried to compare the degree of foreign aid, FDI, and foreign

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<sup>18</sup> Bair (2005: 170) quoted Arrighi in this context, but from his another study (Arrighi et al., 2003). Chase-Dunn (1998: 80) accepts some propositions of the new international division of labor, but he affirms, although he does not address financial globalization, that “neither the industrialization of the periphery nor the deindustrialization of the core has reduced the magnitude of core/ periphery inequalities.”

borrowing as the independent variables to explain the different sequence of developmental strategies in East Asia and Latin America and a set of neoliberal financial reforms after the debt crisis in Latin America forced the NICs in that region to diversify their ISI-based development. The GCCs approach might want to pay more attention to the relationship between ownership and control in a classical sense although it presumably claims that commodity chains could work, either without controlling subcontractors directly through the mechanism of interlocking directorates or without the stock ownership.

## Appendix

<Table 1> Development Strategy Sequence of NICs in East Asia and Latin America (Gereffi, 1989)

Mexico Brazil	Commodity Exports	Primary ISI	Secondary ISI	Diversified Exports
	Mexico/ Brazil (1880-1930)	Mexico/ Brazil (1930-55)	Mexico/ Brazil (1955-82)	Mexico/ Brazil (1983-)
Taiwan South Korea	Commodity Exports	Primary ISI	Primary EOI	Secondary ISI and EOI
	Taiwan (1895-1945) S.Korea (1910-45)	Taiwan (1950-59) S.Korea (1953-60)	Taiwan (1960-72) S.Korea (1961-72)	Secondary ISI (1973-79, both) Secondary EOI (1980-, both)

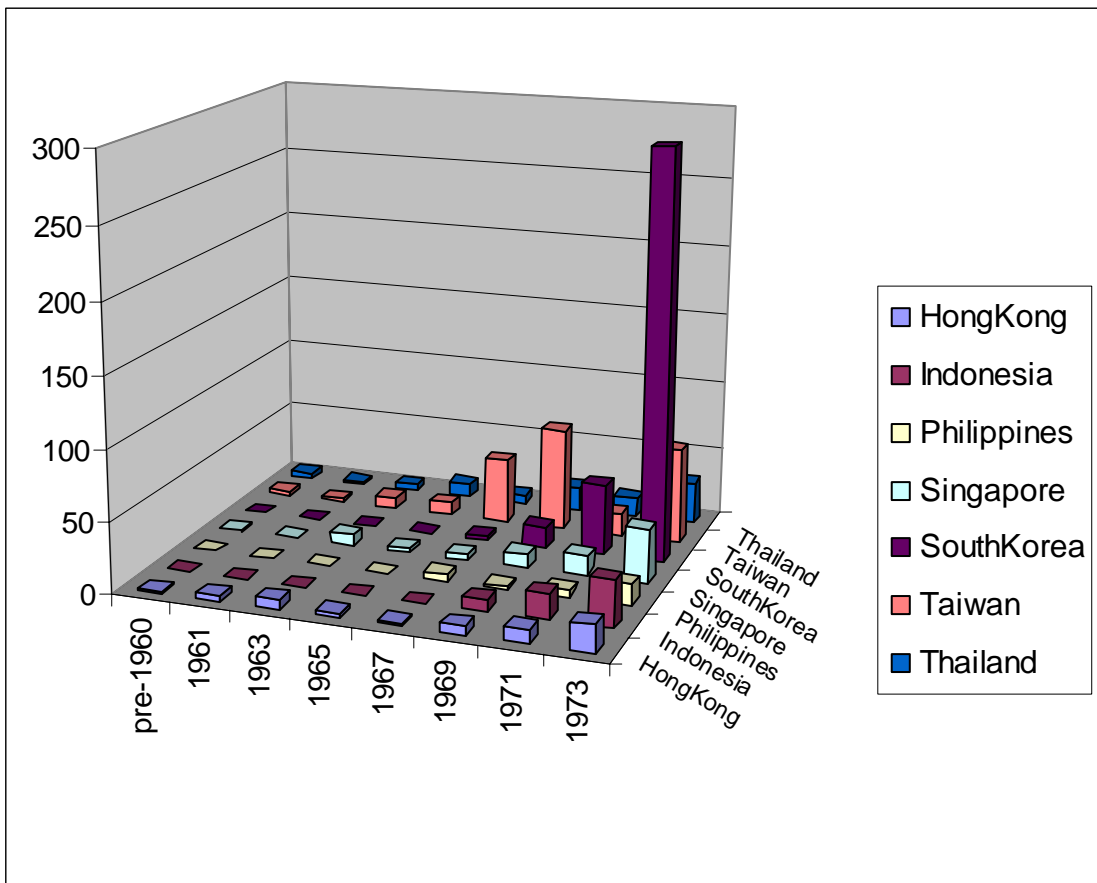
<Table 2> Main Sources and Destinations of Korea's Trade: % (Chibber, 1999: 335)

	Exports		Imports	
	Japan	US	Japan	US
1960-2	49	17	23	48
1965	26	35	39	37
1967	26	43	45	31
1969	21	50	41	29

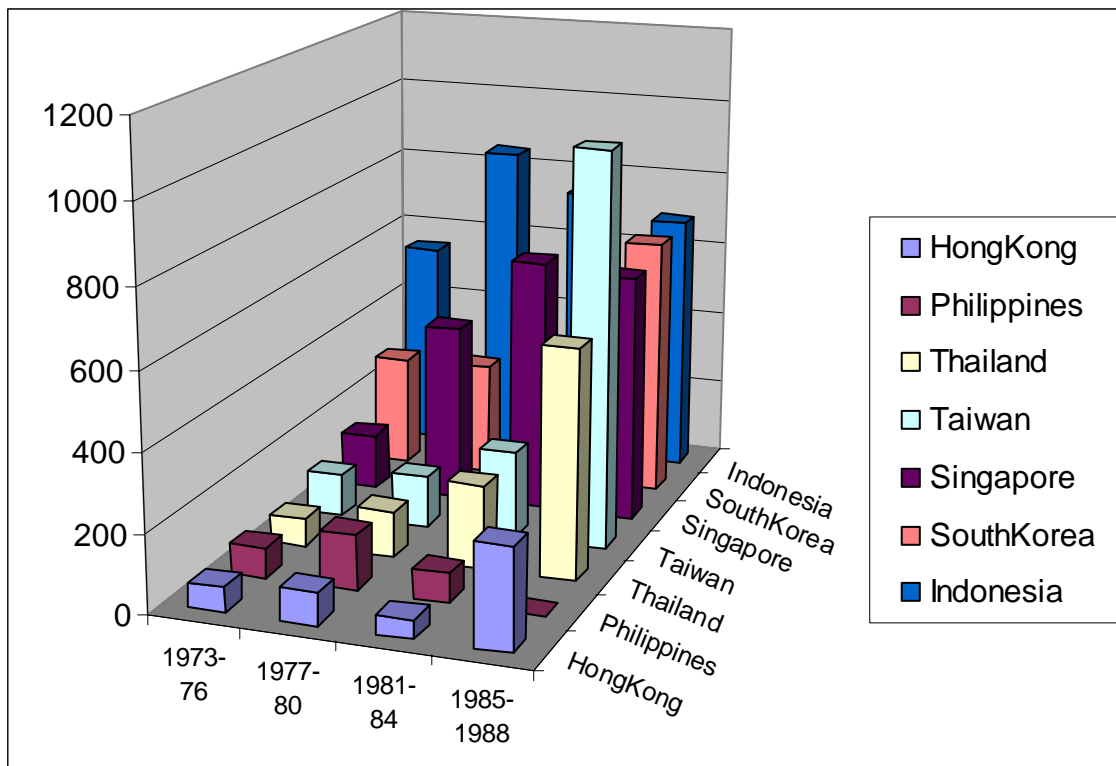
<Table 3> Japanese Automobile Assembly Plants in East Asia at 1976 (Mason, 1998: 32)

	Nissan	Toyota	Toyo Kogyo	Mitsubishi	Isuzu	Honda	Hino	Fuji Heavy
Hong Kong	N	N	Y	Y	Y	N	N	N
Taiwan	Y	Y	N	Y	Y	Y	Y	N
Philippines	Y	Y	Y	Y	Y	N	N	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y
Malaysia	Y	Y	Y	Y	N	N	N	N
Thailand	Y	Y	Y	Y	Y	N	Y	Y
Singapore	Y	N	N	N	N	N	N	N

<Figure 1> Number of Japanese overseas manufacturing investment approved by Ministry of Finance (Palat, 2004: 123)



<Figure 2> Japanese manufacturing FDI: Millions of US dollars (Pempel, 1997: 60)



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