BOOK REVIEWS

Techno-Nationalism and Techno-Globalism: Conflict and Cooperation

Sylvia Ostry and Richard R. Nelson

(Washington, D.C., Brookings, 1995, 132 pages)

This short monograph, which covers an enormous range of issues, is one of 21 studies that constitute the first phase of the Brookings Project on Integrating National Economies. Its main theme is the contrast between the increasing internationalization of private technology policies (techno-globalism) and the overwhelmingly national character of public sector technology policies (techno-nationalism). Chapter 1 illustrates the decline of the United States technological dominance and the rise of global competition that followed over the past 25 years.

Chapter 2 deals with the rise of techno-globalism. It raises the problem of intellectual property protection and continues with a good summary of research which has been done on national innovation systems. This research demonstrates the complex nature of these systems. They go beyond such simplistic contrasts as systems dominated by *laissez faire* or government management. Further, the authors discuss the rise of techno-nationalism in the 1980s and its decline in the 1990s, when the diminishing importance of military procurement led governments to encourage technological progress in more direct ways. This occurred even in the United States, where the Government displayed a diminished interest in declaring all assistance to research and development as unacceptable. Techno-nationalism fell foul of what the authors name the "law of unintended consequences": "By closing their markets to imports, nations have encouraged foreign firms to establish branches inside their borders. Through policies of 'buying national' or supporting only national firms, governments have induced firms, by location and alliance, to take on the colours of whatever nation is offering them something" (p. 61).

Chapter 3 first surveys a number of high-technology conflicts in the 1980s. It discusses the consequences of the increasingly sophisticated trade policies pursued by governments and the rise of the cartels required to administer these instruments. These cartels, which are another illustration of the "law of unintended consequences" and which were fathered by measures ostensibly intended to increase international competition, encourage monopolistic practices. The widening range of disputes, particularly between the United States and Japan, increasingly includes "systems frictions", which implies that almost every aspect of a nation's socio-economic system comes under scrutiny for allegedly reducing international competition in trade and investment.

Chapter 4 contains the main message of the book. It analyses the policy implications of "systems frictions" and suggests dealing with these frictions through deeper integration and related measures. The authors argue that the continuing "systems frictions" will facilitate the use of unilateral measures rather than the use of the transparent, rule-based multilateral system. They also believe that, in the long run, the locational competition and rules arbitrage by TNCs could well "result in a market like process of harmonization, which need not require any intergovernmental action" (p. 83). However, since, in the short run, there are high dangers of destabilization, the authors advocate some major interim "damage control measures" (p. 83). While they admit that results may be slow and painful, the authors urge the establishment of a common practice on subsidies, common rules for membership in research consortia, and moving "cautiously and thoughtfully toward greater similarity in the laws and policies associated with intellectual property" (p. 88). They also urge mutual recognition (that solved some of the European Union's key "harmonization" issues), and they advocate paying increased attention to the issue of structural impediments that restrict investment.

The authors conclude their work with a disturbing note: "The combination of very strong competition and less ability to prevent rivals from finding out what one is doing in research is enough to drive companies out of the basic research business. . . . Governments need to respond to these developments by increasing their funding of long-run research. . . . Yet they seem to be shifting their research portfolios toward the applied and shorter-run" (pp. 111, 112). The long-term effects of this attitude towards the time horizon for research could be a major barrier to technological progress that lies at the heart of economic growth.

Finally, a few points of caution. First, although the United States has undoubtedly lost its total dominance in the world economy, its decline has often been overstated and seems to be overstated also by these authors. As their discussant, Henry Ergas, points out, the United States is still dominant in a considerable number of industries, many of which are in the rising services sectors. This dominance arises ''from a strength of the U.S. 'innovation system' . . . [its] capacity to generate and manage diversity; to provide what remains a unique seedbed for innovative entrepreneurship, reflected in vast numbers of start-up firms'' (p. 115). Second, there is perhaps too much emphasis on high technology when many of the world's trading problems concern trade in medium- and low-technology products (although ones which often use state-of-the-art production processes). Finally, the implementation of many of the damage-control policies is a long process. In particular, coordinating competition and subsidy policies are highly contentious issues. One must wonder whether the problems would have disappeared under the private-sector forces (referred to all too briefly on page 83) before the advocated solutions were achieved (as happened with many once pressing problems in the past).

This short summary of a few highlights can do no more than alert the readers to some of the extended discussions to be found in this thought-provoking book. Few readers will agree with everything they find here, but all should agree that this well-argued and thorough presentation of a massive set of issues provides material for serious and often sobering thought. ■

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Global Japanisation: The Transnational Transformation of the Labour Process

Tony Elger and Chris Smith, eds.

(London and New York, Routledge, 1994, 391 pages)

This book is a useful, albeit patchy, addition to the debate on whether there is a ''Japanese model'' of production management, the extent to which this model is transferable and has been transferred. In particular, the book deals with the implications of Japanese management for the labour process.

The editors, Tony Elger and Chris Smith, present, in the introduction to the book, universal and specific models of production management and argue that the debate regarding these two aspects of production management should be part of a research agenda. They argue that the ''Japanese model'' has both universal and specific elements, as have all other models. With the large-scale internationalization of Japanese firms in recent years, this research agenda can be fully pursued and realized.

The book is divided into three parts. Part I discusses the Japanese model and its implications towards work processes, management structure and shop-floor practices. Part II consists of a series of cases on the transfer and adaptation of Japanese production management to the overseas plants of Japanese transnational corporations. Finally, part III examines cases of adaptation of the Japanese model by non-Japanese firms, as well as alternative production management models.

The first chapter in part I, by Elger and Smith themselves, is a brief and reasonable examination of the Japanese model and its main components: life-time employment, prevalence of subcontracting etc.. The authors convincingly argue that there is not a single model, but rather a variety of models in Japan. Moreover, there is no whole-scale transfer of the model by both Japanese or non-Japanese companies, nor can there be. Instead, there is some adoption. The last two chapters of part I do not provide good examples of the transfer of components of the ''Japanese model''. One chapter is on press shop practices, the other is on the process of personnel movement in the iron and steel industry. Both emphasize the peculiarities of the industries concerned, but since neither is highly internationalized (the title does, after all, refer to global Japanisation), we learn little about the transfer of Japanese managerial practices overseas.

Part II analyses four Japanese affiliates: in the United States, Canada, Australia and the United Kingdom. Chapters 4 and 5 discuss specifically the adaptation of certain Japanese management techniques, especially Kaizen, from the perspective of workers in the auto industry in the United States and Canada. It was found that in both cases workers consider these techniques as management tools, and, in the Canadian case, this technique facilitated a degree of commitment to the plant. However, this commitment is declining. The authors of both chapters are pessimistic about the Japanese model, but their work is of value because they collected data through direct contact with workers. The United Kingdom chapter (the electronics industry) reports similar findings, except that there are distinct gains in productivity and commitment. The ''Japanese model'' is viewed in this chapter as an ideological legitimation of practices put into effect, which are seldom Japanese by origin. The theme of how Japanese management and Japanese practices are transferred is best discussed in the chapter examining Japanese affiliates in Australia. It is argued that, with the exception of the largest Japanese firms, at the blue collar level, few practices of the ''Japanese model'' have been transferred overseas. Significantly, ''smaller size Japanese subsidiaries and smaller size Australian firms behave in much the same way as far as the practice of human resource management is concerned'' (p. 193).

Part III is in many respects the most patchy, yet, most interesting section of the book. The chapter on Sweden is well presented, but adds little to the research agenda defined by Elger and Smith as the topic of the book. The two chapters on Brazil demonstrate that it is possible to introduce an ''idealised Japanese system'' to developing countries (albeit with local adaptations), but it is not clear what the ultimate implications may be for the work process. Thus, it was found that the initial impact was beneficial for workers, but as Brazilian management has become more sophisticated (partly because of information technology and the like) the Japanese system is increasingly evolving into merely a control mechanism. The chapter on Italy describes an attempt to introduce lean production into a Fiat plant. Initial gains in worker consent, commitment and productivity may be undermined, ultimately, by rising stress levels.

Overall, it is interesting to note that Part II, which deals with cases of transfer of Japanese practices (transplants), is composed of cases from

Anglophone countries, while Part III, which presents adopters and alternatives examines non-Anglophone countries. From the point of view of the industrialized countries, the question arises of how real is this apparent division? A careful reading of the cases might also suggest that Japanese-local worker relations are more fraught in North America than the rest of the world. If this is the case, it calls for a substantial investigation of the reasons for, and implications of, this difference.

The lack of an attempt to answer these questions is the main drawback of this book. The cases themselves are generally interesting, but do not always address the questions raised by the authors. The basis of the initial choice of countries for investigation is not clear, nor is there a common (if, ideally, flexible) methodology. Why are there two chapters on Brazil? Why none on Germany, say, or Malaysia? The book is a useful source of information on the transfer and adaptation of Japanese managerial practices, but the contribution of this book to the progress on the research agenda on this topic is limited. ■

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Multinational Enterprises and Industrial Organization: The Case of India

Nagesh Kumar

(New Delhi and London, Sage Publications, 1994, 203 pages)

As Nagesh Kumar states in the preface, this book is a revised, expanded and updated version of his previous book (Kumar, 1990) which incorporated his doctoral dissertation completed at the Delhi School of Economics in 1987. This book is potentially useful for two audiences: academics with an interest in transnational corporations (TNCs) and industrial organization, particularly in developing countries; and policy makers in India and other developing countries.

For academics with research interests in these topics, chapters 2-6 are generally excellent and should be of great interest. There is little, if anything, however, in these chapters that has not already appeared in the author's thesis, his first book, and three excellent articles based on the thesis (Kumar, 1987, 1990a, 1991). Beyond what is already widely available, there is little value added in this book for academics although Kumar has included a few newer references, some of the data have been updated, and the first chapter on the history of India's foreign direct investment (FDI) regulatory system has been updated through early 1994.

In the second edition, these five analytical chapters on the patterns, determinants and effects of FDI in India remain largely the same, based on data from the late 1970s and early 1980s. Since this material has been reviewed elsewhere and has been published in refereed journals, I will not once again review it. For academics who are not already familiar with this research, these chapters, or the same material in Kumar's other publications, will be of great interest.

The major target audience for this book, however, are those engaged in policy formulation towards FDI by TNCs. As Kumar clearly states in the preface to the second edition, the book's purpose is "to make it more widely available in the country [India] . . . and to contribute to the current debate on the role of multinational enterprises in the context of the on-going economic reforms" (p. 9). The policy-oriented material in the book is largely concen-

Table 1. FDI stock in India in various years

	Total FDI			FDI in manufacturing		
	Rupees crores	Real 1964 Rs. crores	Real 1964 $ billions	Rupees crores	Real 1964 Rs. crores	Real 1964 $ billions
1964	565.5	565.5	1 190	229.3	229.3	.483
1974	916.9	356.0	.599	625.6	242.9	.409
1980	932.2	296.7	.306	811.6	258.0	.266
1990	2 705.0	351.6	.194	2 290.0	298.7	.165

Source: Kumar (1994), table 1.1.

trated in chapter 1, "Government policy and foreign direct investment in India" and in a "Postscript". I will concentrate my comments on this ma-terial.

In chapter 1, Kumar gives a (very) brief summary of the history of FDI regulation by the Government of India. After a relatively liberal period, which lasted from after independence until the late 1960s, the FDI system became more restrictive. In 1973, under the Foreign Exchange Regulation Act (FERA), the Government mandated that foreign equity shares had to be reduced to a maximum of 40 per cent. Transnational corporations that had higher shares had to divest their shares or to issue new shares to Indian entities to meet this target. Consequently, Kumar concludes that "for most foreign companies FERA provided an opportunity to become 'Indian' and to expand. Hence, most of them readily agreed to dilute the foreign equity to 40 per cent" (p. 28). To demonstrate this process, Kumar presents data (tables 1.1 and 1.2) showing the total stock, type and sectoral distribution of FDI for the years 1964, 1974, 1980 and 1990. However, since Kumar does not take into account either inflation or the value of the rupee on foreign exchange markets, this evidence is questionable (see table 1). For instance, during the 1974 to 1980 period, a period of heavy government regulation, there was a fall of 16.7 per cent in the real rupee value of total FDI and a 49 per cent fall in its real dollar value. In the manufacturing sector, the real rupee value of the stock of FDI rose by 6.6 per cent, but its real dollar value fell by 35 per cent. This can hardly be interpreted as ready agreement "to seize" the opportunity to become "Indian" and "expand". Moreover, Kumar goes into considerable detail to describe the measures to deregulate FDI over the 1980-1990 period, but the data presented in table 1 show that this regime significantly reduced real dollar FDI.

From reading Kumar's description of the liberalization measures since 1990, the reader might get the wrong impression that in the 1990s India had a very open and liberal FDI system. Certainly, it was more liberal than the one in the 1970s when FERA came into effect, but when compared to those in most other countries in Asia, even by 1994, it was still highly restrictive. With the exception of FDI in the export processing zones (EPZs) and for 100 per cent export-oriented units, foreign investors were still restricted to a maximum of 51 per cent equity share. Foreign direct investment was prohibited/highly restricted in many industries and/or subject to additional industrial licensing requirements. Compare this with other countries in Asia such as Indonesia, the Philippines, Viet Nam and China (largely due to competition between hundreds of economic zones for FDI), which by 1994 had virtually no manufacturing industries closed to FDI and generally allowed 100 per cent foreign equity ownership. Hence Kumar's twin points that India's FDI system was a liberal one by 1994 and that the effects of its past more restrictive systems had not significantly reduced FDI are not supported by the data.

In the Postscript, Kumar suggests two propositions. First, in general, FDI has a negative impact on the host country or, to put it the other way, unrestricted FDI reduces national welfare. Second, if a government stringently regulates FDI—both for entry and for performance—it can extract additional benefits from FDI, and those may outweigh its costs. In support of this view, Kumar maintains that the significant change in the attitude of the Government of India towards FDI in 1990 was based on the belief in potential benefits from FDI via its positive impact on technology transfer into India; increased exports; and to relieve India's balance-of-payments problems. Kumar then attempts to refute each of the government's rationales for a liberal approach to FDI, based on his research and on additional data he presents. His arguments, however, are strained at best and counterfactual (based on his own research) at worst.

Concerning technology transfer, the discussions in the analytical chapters seem to be at variance with his conclusions in the Postscript. Page 80 summarizes his findings: "FDI has concentrated in those branches of manufacturing that are . . . intensive in the use of idiosyncratic knowledge. . . . As more complex technologies may be difficult to transfer through licensing, FDI could be the preferred mode of transfer." Yet in the Postscript, Kumar concludes (p. 161): "These findings suggest that it is not the transfer of advanced technology . . . than is internalized most or transferred through FDI most often . . . Inflow of FDI by itself does not ensure flow (*sic*) of advance technology into the country.''

Concerning exports, Kumar is even less positive about FDI. He concludes ''the recent changes in strategy to create incentives for export orientation are unlikely to make much difference to the market orientation of existing TNC affiliates in the country . . . It may be argued that a more liberal and open policy towards FDI will encourage greater flows of export-oriented FDI too. This may not be the case'' (p. 163). Indeed, Kumar's results in previous chapters show that, when India followed an extreme regime of import substitution, TNCs were no more export-oriented than domestically-owned enterprises. Kumar concludes: ''The exports generated by export-oriented FDI are generally of an intra-firm nature. Intra-firm trade is determined more by corporate strategies than by price competitiveness'' (p. 169). And what determines corporate strategies? As many countries have found, the answer seems to be total cost effectiveness, including wages, transportation cost, tariffs, supporting industries, and infrastructure development. Until recently, India's trade regime was highly biased against exports—and, not surprisingly—most TNCs there were not oriented towards export markets.

My reading of the inter-country data is that, if the policy regime (such as India's in the early 1980s) favours import substitution, then TNCs will be oriented towards the domestic market. If it favours export promotion (as it partly has in India since 1995) TNCs become more export-oriented. Data from other countries in the region support my conclusion. In Indonesia, for example, as a result of its liberalization policies (both the trade regime and the FDI system) existing foreign investors have reoriented themselves towards export markets and new investors have entered into export-oriented operations.

Finally, on the balance-of-payments effects of FDI, Kumar introduces recent data pertaining to all developing countries on FDI inflows and total profits earned by TNCs. Here, Kumar strongly attacks the balance-of-payments effects of FDI. In table 8.1, his first three columns are: ''Net FDI'', ''Profits on FDIs'' and ''FDI inflows net of profits *remittances*'' (emphasis added) with the latter being the difference between the first two. As best I can understand his arguments (p. 167), Kumar is saying that, since host countries are ''liable'' for the remittance of ''profits on FDIs'', then total profits earned by foreign investors should be ''counted'' as outflows for balance-of-payments purposes, as ''remittances'' against FDI inflows. Yet, usually these profits are largely reinvested in the host country and *not* remitted as dividends. To use his own example (p. 166), TNCs in India in 1992 earned Rs 777.88 ‘‘against’’ the TNCs for balance-of-payments purposes.

After attempting to refute these rationales for a more liberalized FDI system, Kumar concludes that a ‘‘target-oriented and selective approach’’ is preferable to the ‘‘general liberalization’’ such as India has (partially) followed since 1990. These recommendations could be interpreted to advocate that India should revert to the FDI policy it followed in the 1970s and 1980s, but with a more open stance towards FDI in export-oriented and technology-intensive industries and a more ‘‘professional’’ promotion of FDI in these industries. If these recommendations were followed, the consequences would be severe. Given such a relatively hostile policy environment, TNCs would divert the bulk of their FDI away from India to other competitor countries in the region with substantial negative consequences for India.

There is both a danger here and an opportunity. The danger is that policy makers in India might accept Kumar's policy recommendations as a whole, based on the strong academic chapters in this book and his credentials. The opportunity is to use Kumar's conclusions to challenge some of the overly rosy scenarios that some have formulated concerning TNCs. Liberalizing a host country's FDI regulations and welcoming FDI are not a panacea for a country's economic problems under all circumstances. In fact, in a repressed and distorted economy, there can be no presumption that increased FDI will automatically lead to increased national welfare over time. Hence, if handled with great care, Kumar's book might be used as an input to FDI policy deliberations to balance overly optimistic views of the positive impact of FDI. ■

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Japanese Industry in the American South

Choong Soon Kim, ed.

(New York and London, Routledge, 1995, 189 pages)

This is an interesting and unusual book, written by a Korean anthropologist who is fluent in Japanese. It refers to Japanese foreign investment in the American South, with a special focus on the state of Tennessee, named by the author ''industrial ethnography''. The study is based mainly on data collected through case-studies of four foreign enterprises in Tennessee: two subsidiaries of Japanese companies, one large and one relatively small, one Tennessee-Japan joint venture, and one United States-owned mid-sized company. The identity of the companies was kept anonymous. In addition, the author incorporates a wide range of secondary data and research. The focus is on the industrial relations of Japanese companies, management structure, the contrast between Japanese and domestic management practices and attitudes and opinions of local employees of the foreign subsidiaries. The book fruitfully integrates an array of past research information with the insights developed in the four case-studies.

Choong Soon succeeded in obtaining the confidence of Japanese and United States managers and employees in the target companies, which allowed him to receive substantial amounts of information from them.

The book focuses on industrial relations and organizational structure and compares the management style of Japanese and Tennessee companies. The main findings of the case-studies are integrated with secondary sources. First, only a small minority of Japanese subsidiaries and/or joint ventures has local chief executives; the vast majority remains Japanese. Second, Japanese affiliates do not follow the Japanese tradition of treating their workers as ''divine treasures''. The affiliates studied did not imitate the Japanese lifetime employment system, the recruiting of their mainstream workers from high school or college for entry first jobs, nor did they protect their employees from layoffs or discharge as is common in Japan. Third, domestic union relations are the rule rather than the exception. While there is some evidence that Japanese affiliates and joint ventures seek to protect jobs more than the typical Tennessee firm, there were several cases of layoffs (particularly during downsizing periods). Similar evidence was also found in surveys of Japanese firms in the United States. Fourth, another difference relates to compensation, promotion and other employee policies. In Japan, salary increases are dictated primarily by length of service. In the United States, compensation is based primarily on productivity and responsibility, i.e., the value of the work. This difference is partly attributed to the nature of the labour market in Tennessee and to recruitment procedures pursued by domestic firms. Employees are hired, not from high school or college, but from an existing labour force which has various levels of experience and capabilities. Fifth, in the companies studied, minorities and women were more represented than in the local labour force.

Another area examined by the case-studies was the impact on, and the perceptions of, the local population in areas surrounding the plants of the Japanese affiliates. The findings are that the local population usually had positive views of the Japanese affiliates enjoying the benefits of income creation and the law and behaviour of the expatriates. As everywhere, the Japanese expatriates interacted more often with each other than with the local business community. This may partially be explained by the limited Japanese knowledge of Tennessee and its social structure and customs.

This book provides considerable information on the differences between foreign affiliates in the United States and the practices of typical United States companies. It achieves this by integrating the existing literature with a limited number of case-studies. Its major limitation is its focus on a few companies in Tennessee—even though Tennessee has been among the most successful United States states in attracting Japanese investment. ■

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