

*The Moving Frontier: The Changing Geography of
Production in Labour-Intensive Industries*

edited by Lois Labrianidis

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reviewed by Prodromos Prodromidis*

The book studies the relocation of production activities in four labor-intensive industries (clothing, footwear, electronics, software) of five EU countries (Bulgaria, Estonia, Greece, Poland, the UK), utilizing data collected in 2005-6 via the EU-funded MOVE project (chapters 2-9).¹ The scope is widened by three contributions that offer a more international outlook and additional insights (chapters 10-12). Hence the volume is likely to appeal to people interested in the EU integration process, national and regional development, industry studies, business economics and international economics. However, it will also be intelligible to those new to these fields.

The introduction, authored by L. Labrianidis, (pp.1-19) eases the reader into the subject of spatial restructuring of industries at the national, broader regional, and global scale. It also provides a useful outline of the twelve chapters that follow. These are well-written and organized in three parts, each consisting of four chapters: The first two parts (one thematic, the other sectoral) discuss a number of topics on the basis of the MOVE dataset. The level of statistical analysis is uncomplicated — involving averages, standard deviations, frequencies, correlations, and virtually no econometrics. The downside is that it is not easy to isolate the various effects.² The third part contains the contributions regarding other regions of the world, as well as the overall

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1. The project involves (a) a survey based on extensive semi-structured questionnaires probing into delocalization issues across 756 firms from two older EU members, UK and Greece, two recent members, Poland and Estonia; and one from the very last wave of accession, Bulgaria; and (b) 120 interviews with business associations, experts, confederations of employers, politicians, and trade union leaders in the four industries.

2. Especially in cases that sub-samples are under-represented and data are scarce (e.g., pp. 12, 42, 69).

conclusions. The text is accompanied by a useful list of abbreviations, 66 tables and 43 figures.³ The material is organized as follows:

Chapter 2, entitled “Delocalization and Development in Europe: Conceptual Issues and Empirical Findings,” is authored by A. Kalogerisis and L. Labrianidis (pp. 23-58). It engages in a literature review of why and how labor-intensive firms relocate, offers some stylized examples based on the project’s data, and suggests that the decision to relocate is affected by the form that delocalization takes and vice-versa.

Chapter 3, entitled “Patterns of Enterprise Strategies in Labour-Intensive Industries: The Case of Five EU Countries,” is authored by C. Kalantaridis, I. Vassilev and G. Fallon (pp. 59-100). It offers a literature review regarding enterprise strategies, describes the types of strategies observed in the four industries across the five countries under consideration, looks for patterns, and finds that there exists considerable diversity.

Chapter 4, entitled “Social Consequences of Delocalization in Labour-Intensive Industries: The Experience of Old and New Members of the EU,” is authored by K. Gwosdz and B. Domański (pp. 101-22). It offers a literature review regarding the social consequences of inward and outward delocalization, and analyses changes in the labor markets and social well-being using both official figures and the project’s statistics. It argues that the effects are mainly observed at the local level, to a lesser extent at the regional level, and are negligible at the national level (with the exception of Bulgarian clothing).

Chapter 5, entitled “Between Policy Regimes and Value Chains in the Restructuring of Labour-Intensive Industries,” is authored by I. Vassilev, G. Micek and A. Kourtesis (pp. 122-46). It offers a literature review regarding the role of government (national, regional and local) and supra-national bodies (such as the EU, WTO, IMF) in the delocalization of businesses. On the basis of the project’s data it classifies the five countries into a typology.

Chapter 6, entitled “The Impact of Internationalization on the Clothing Industry,” is authored by C. Kalantaridis, I. Vassilev and G. Fallon (pp. 149-75). It offers a literature review regarding the clothing industry, and draws on the project’s data to discuss ownership, market segmentation, inter-organizational relationships, strategy, performance, the role of governance, and social consequences. Hence, it provides useful insights into the integration process of firms and regions in the global network of production and distribution.

Chapter 7, entitled “The Impact of Delocalization on the European Electronics Industry,” is authored by R. Lumiste (pp. 177-203). It provides an informative descrip-

³ A future edition of the book could benefit from improvements in the quality of some graphics. For instance, in figures 3.2, 3.3, 3.5 the word “hybrid” is rendered “nybrid” and in figure 3.4 is unintelligible; in table 9.5 there are no signs of decreases although the note suggests otherwise.

tion of the electronics industry, its sub-national distribution in the EU, the forms of delocalization at the global level, the factors that shape it, and its social consequences. It also utilizes the project's data to look into manufacturer activities, competences, strategies, and challenges.

Chapter 8, entitled "Footwear Industry: Delocalization and Europeanization," is authored by P. Roukova, S. Keremidchiev, M. Ilieva and E. Evgeniev (pp. 205-27). It provides an informative overview of the delocalization of production activities in the footwear industry from the EU to Central and Eastern Europe in the 1990s and early 2000s, and discusses the situation in the wake of the 2004 enlargement. It also utilizes the project's data in order to offer insights into the ownership structures and strategies of firms, as well as the effects of delocalization.

Chapter 9, entitled "The Impact of Delocalization on the European Software Industry," is authored by R. Guzik and G. Micek (pp. 229-51). It provides an informative description of the EU software industry, the industry's value chain, international trade, the forms and determinants of relocation. It utilizes the project's data in order to look into the characteristics of delocalized firms, analyze inward and outward delocalization in the context of subcontracting and foreign direct investment, and discuss the factors behind delocalization, the linkages and cooperation networks between companies from different countries, and the prospects of further delocalization to places outside the EU.

Chapter 10, entitled "Corporate Strategies for Software Globalization," is authored by A. Aggarwal, O. Berry, M. Kenney, S.A. Lenwayand, V. Taylor (pp. 257-80). It supplies examples (illustrative case studies) of major software companies that offshore operations to countries with lower wages as part of their global strategy, and offers useful insights regarding their motivation.

Chapter 11, entitled "Newly Emerging Paradigms in the World Economy: Global buyers, Value Chain Governance and Local Suppliers: Performance in Thailand" is authored by C. Pietrobelli and F. Saliola (pp. 281-300). It examines the impact of lead firms (global buyers), via their presumed governance of the activities required to bring a product from its conception to its end-use and beyond, on local manufacturers in a less developed country. To that end it sets up a Cobb-Douglas production function, and attempts to econometrically explain the (a) total factor productivity and (b) value added per worker of (i) large suppliers of transnational companies that are not foreign-owned, (ii) export firms, and (iii) firms that serve the domestic market, in terms of governance factors (on one hand) and firm-size, industry, regional and annual regressors (on the other). The findings of the semi-logarithmic equations indicate that the mode of governance does not seem to matter for the two former types of firms. This suggests that the competences of local manufacturers whose operations are dependent on transnational companies are probably limited. This means that these manufacturers are also more vulnerable to competition.

Chapter 12, entitled “African Cloth, Export Production and Second-hand Clothing in Kenya,” is authored by T. Mangieri (pp. 301-18). It provides an overview of the garment market in Kenya (three sub-sectors) based on field research that includes interviews, observations, archival research, and trade data: A straightforward narrative that blends cultural aspects with international trade, politics and history.

In the concluding chapter (pp. 319-30), the editor suggests that industrial activity is becoming increasingly mobile not only within countries but also between countries, on account of labor costs, technological advances, the development of supranational formations (e.g., EU, NAFTA) offering stable environments, imitation, etc. The phenomenon is observed across all sorts of firms (a) operating in different countries and sectors, (b) employing different strategies, etc. The consequences are diverse and mainly evident at the local level. In the case of delocalization within the EU, the effects seem to be positive in the medium-term as jobs are kept within the EU and convergence/integration is facilitated. However, *ceteris paribus*, eventually, lagging districts/countries are likely to lose competitiveness in labor intensive industries. In other parts of the globe, where companies may play one country against the other, the process may seem as “a race to the bottom” in terms of its effects on employment and social matters.

In closing, this reviewer is of the opinion that the authors touch on, bring together and deal with a number of issues that are under-explored and could be investigated further. For this reason, the book provides a good starting point for those who want to familiarize themselves with the aforementioned topics and/or are in search for stimuli for postgraduate dissertations and research papers.