

## BOOK REVIEWS

*The Political Economy of the Latin American Motor Vehicle Industry* edited by Rich Kronish and Kenneth S. Mericle, Cambridge, Massachusetts and London, MIT Press, 1984, xvi + 314 pp.

### I

The basic objective of this book, which consists of eight essays and a concluding chapter, is to examine the development of the motor vehicle industry and its impact on the society of several Latin American countries: Brazil, Mexico, Argentina, and Colombia. The editors divide the substantive essays into three groups: (1) "Political economy essays," examining the formation and evolution of the industry in Latin America with the stress on the structural problems encountered; (2) "Labor essays," which examine the impact of the attitudes and actions of the autoworkers on the development of the motor vehicle industry, based on the assumption that industrialization is a dialectical process which labor is both subject and objects; and (3) "Bargaining essays," which explore the bargaining process between the transnational corporations (TNCs) and the Latin American governments in an attempt to specify both the common and the conflicting interests of these two actors.

The "Concluding essay" abstracts and elaborates the book's principal themes concerning the significance of labor and the relationship between TNCs and governments, and provides a comparative historical overview of the motor vehicle industry in Brazil, Mexico, and Argentina.

### II

The first two political economy essays, "The Political Economy of Brazilian Motor Vehicle Industry" by K. S. Mericle and "The Rise and Fall of the Argentine Motor Vehicle Industry" by R. Jenkins analyze such common structural problems as fragmentation of the terminal sector, adequate parts and materials infrastructure, and high production costs. In Brazil in 1965, we are told, "the eleven terminal sector firms produced eighty-eight models in a combined production run of 185,173 units, which represented about 50 percent capacity utilization" (p. 9), the cost of production being 81 per cent higher than that in the United States. In Argentina, although the number of firms was reduced to ten by 1972, the number of models in production increased to 120, the output reaching a peak of 293,742 units in 1973 (pp. 53-54).

As is well known, the inefficiency and lack of international competitiveness of the Latin American motor vehicle industries constitutes one of their most fundamental problems. The two essays in this section go beyond the previous literature (such as J. Baranson, *Automotive Industries in Developing Countries*, IBRD, 1969), in the sense that they analyze the political and economic processes that both produced such industries and generated specific policies to solve the problem.

Nevertheless, it seems to me that, in the analysis of the structural problems, consequences of the prolonged import substitution (IS) approach to industrialization for

the industrial and trade structure in general and the motor vehicle industry in particular are not fully taken into account. While I agree with the authors regarding the importance of economy of scale in this industry, the high-cost, low-volume dilemma, and the serious effect of the fragmentation of the terminal sector on cost performance, I would also draw attention to the inefficiency of the sectors which supply motor vehicle industries with basic inputs such as steel and plastics, as well as with automobile parts as another major factor behind the structural problems of these industries. The high price and low quality of the industrial materials and parts are a result of the highly protected market connected with the IS process, notwithstanding the fact that economy of scale is not necessarily relevant to the production of these goods.

The third paper of the political economy essay section, "Latin America and the World Motor Vehicle Industry: The Turn to Export" by R. Kronish, examines the changing relationship between the Latin American industry and the world automobile industry as a whole. It identifies several interesting tendencies of the TNCs: for example they have begun integrating their Latin American subsidiaries into their worldwide operations, prompting increases in both Latin American exports and, to a lesser extent, imports. It also sheds light on those factors which influence the TNC's choice of sites in light of the particular siting pattern prevailing in the motor vehicle industry (pp. 86-89).

While I agree with most of Kronish's arguments, I have reservations concerning two points:

Firstly, the author argues that the TNCs have been encouraged to develop export production outside the traditional vehicle-producing areas by the interplay of two factors—the intensification of TNC competition for markets and the continuing conflict between labor and capital in the industry in the developed countries, a conflict which the author believes has intensified since the 1960s. But although the continuation or intensification of conflicts may have plagued TNCs in the United States, it has not been a problem for TNCs of some other countries such as Japan, whose share in the production and export of cars is now highly relevant globally. Moreover, the author ignores the recent tendency toward factory automation (with increasing use of robots) in the motor vehicle industries of developed countries. In this context, the cost of labor as well as the capital-labor conflict seems less important as a determinant for the relocation of motor vehicle industries.

Second, I would argue that the export of cars from major Latin American countries has been promoted by the strong incentives and other measures adopted by the host governments and, with few exceptions, not because of a genuine improvement of efficiency or competitiveness of the motor vehicle industries of the region.

### III

The labor essays, "Labor in the Brazilian Motor Vehicle Industry" by J. Humphrey, "Reflections on the Argentine Auto Workers and their Unions" by J. Evans, P. H. Hoeffel, and D. James, and "Labor in the Mexican Motor Vehicle Industry" by I. Roxborough are excellent studies of the attitudes and actions of autoworkers and their unions, and their impact on the development of the Latin American motor vehicle industry affecting as they do, both supply and demand conditions.

There can be little doubt that one of the most important contributions of these essays is the negation of the quite widely held opinion that autoworkers belong to

a privileged labor aristocracy within the working class (such as is expressed, for example, in F. H. Cardoso's "Dependent Capitalist Development in Latin America," *New Left Review*, No. 74, 1972). Humphrey finds that Brazilian autoworkers work at an intense pace in predominantly unskilled and semi-skilled jobs while confronting high turnover rates and arbitrary dismissals and argues that their activities now play a vanguard role in the struggle for economic and political change (p. 125).

The paper on Argentina also examines this question through an analysis of the relationship between the autoworkers' part in the *Cordobazo* (a major forty-eight-hour strike in Cordoba in May 1969) and other antigovernmental mass mobilizations, and their struggle on the shop floor for improved working conditions (p. 144). All three papers show that at certain key junctures the autoworkers of Brazil, Argentina, and Mexico have spearheaded opposition to government "income concentration policies." I will return to this important point, as it is analyzed more fully and systematically in the concluding essay.

#### IV

The essays on bargaining—"Agenda Setting and Bargaining Power: The Mexican State versus Transnational Automobile Corporations" by D. Bennett and K. Sharpe, and "Bargaining Relations in the Colombian Motor Vehicle Industry" by M. Fleet analyze the TNC-host government bargaining process, specifying both the common and the conflicting interests of the two actors. It is important to note that the conceptual framework for the analysis differs from that of either world system or dependency theory.

The first of these essays shows that the interests of the TNCs and the Mexican state conflicted most sharply over proposals concerning limitation of the number of firms, certain issues of firms behavior (standardization of parts and model freezing), and ownership restrictions. The number of firms was the central issue for industry structure because the Mexican government was attempting to learn from the mistakes of unrestricted entry of auto manufacturers in Brazil and Argentina. Despite its concern, however, the Automobile Manufacturing Decree promulgated in 1962 at the end of the bargaining process set no limit on the number of entrants and ten firms were ultimately permitted (p. 208).

The paper argues that the government failed to exploit its major source of potential power (the pattern of oligopolistic competition among the TNCs), while the TNCs effectively mobilized their home-country governments to exert pressure on the Mexican government. But as far as the case of the Japanese firm is concerned, further study seems necessary; in the paper the evidence is limited to a reference to the amount of the Mexican export of cotton to Japan and its importance for Mexico (pp. 214-17).

According to the paper on Colombia, and in contrast to the Mexican case, the Colombian government did take advantage of TNC competition to negotiate fairly favorable contracts, although it subsequently failed to adequately enforce them.

#### V

The concluding essay by R. Kronish and K. S. Mericle, "The Development of Latin American Motor Vehicle Industry, 1900-1980: A Class Analysis," considers the two essential foci for understanding the development of the Latin American motor vehicle industry to be the TNC-host government relationship (as discussed in the bargaining essays), and class relations.

One of the editors' very important conclusions deriving from the respective comparative studies is that, while in Argentina a militant working class effectively blocked the full implementation of efforts to bring about the concentration of income and the tight control of labor costs at the point of production, in Brazil and Mexico the defeat and/or containment of the working class permitted the structuring of political-economic contexts highly favorable to the motor vehicle industry (pp. 279 and 285).

As for factors contributing to these differences, the editors mention the following: In Mexico, the predominance of CTM (Confederación de Trabajadores de México) affiliates "permitted motor capital, often in conjunction with the state and the unions, to institute measures designed to constrain total labor costs" (p. 279). In Brazil, "the labor movement was crushed and subsequently controlled" after 1964 and "auto workers were unable to secape the constraints imposed by national labor policy in spite of the incredible dynamism experienced by the industry from 1968 through 1974" (pp. 282-83).

Although I recognize the importance of these factors, I believe that for purposes of comparative analysis, the differences in the structures of the labor market in these three countries should be duly taken into account, because this could be more fundamental in explaining the different processes. To put it concretely, as is well known, the magnitude of the informal worker sector is much larger and the unemployment rate for unskilled labor much higher in Brazil and Mexico than in Argentina. The abundance of labor may thus have been one of the basic "necessary" conditions for the TNCs to hold down real wages of autoworkers in the former countries.

The principal findings of the concluding essay are summed up as follows:

With relatively small and highly fragmented national markets, these [motor vehicle] industries were low-volume, high-unit-cost operations. Under these circumstances, state support was essential, and expansion and profitability depended on the success of government efforts to structure labor-capital relations in a manner conducive to the development of the industry. State intervention of this sort did not simply reflect the interests of motor capital but rather the broad class interests of capital as a whole. Nevertheless a transformation of class relations did promise a resolution of the low-volume, high-unit-cost dilemma by concentrating income thereby expanding the effective market for motor vehicles, as well as by controlling total labor costs. (p. 298).

This is, according to the authors, the development pattern of the motor vehicle industries in Latin America, which represents "a seemingly successful illustration of what might be called 'dependent industrialization'" (p. 263).

I am not in a position to directly challenge these interesting remarks of the authors. However, I cannot help wondering what the alternatives for Latin American countries might be—or what "independent development" would represent for the authors.

In this context, I would like to suggest that a comparative study of the experiences of the major Latin American countries and other latecomers to the motor vehicle industry—say, Japan, Korea, and Australia—might be highly instructive. For illustrative purposes, let me just mention the following basic facts concerning the Japanese industry:

(1) The production of motor vehicles in Japan in 1955 was 69,000, a number not significantly larger than production in Brazil in 1958 (61,000). It increased to 482,000 in 1960, a level reached by Brazil eleven years later (516,000 in 1971). The Japanese industry is also highly fragmented, with thirteen firms in 1965 and eleven firms in

1975. Therefore the basic features of the Japanese motor vehicle industry were rather similar at least in the period 1955–65 to those of the Latin American industries: small-scale production in a highly fragmented market as compared with advanced countries such as the United States, West Germany, and United Kingdom.

(2) In some aspects, on the other hand, the Japanese industry was clearly different from those in Latin America in the above-mentioned period: In Japan, two-thirds of the vehicles produced were for commercial use (buses and trucks). It goes without saying that such vehicles are used for productive purposes and thus demand is not subject to the “concentration of income” as emphasized in the study under review. But what is more important is the fact that economy of scale is much less significant for the production of commercial vehicles than it is for the manufacture of passenger cars.

(3) Another important difference is that the supply of materials and parts of low cost and ever increasing quality was assured in Japan, while in Latin America, it has not been accomplished due to the prolonged IS process and other factors mentioned earlier.

(4) Governmental industrial policy was also different. As there is insufficient space to discuss the matter here, I will limit myself to mentioning only the “people’s car plan” advocated by the government in 1955 and subsequent years. The purpose of this initiative was to produce on a large-scale, small, low-priced, and internationally competitive cars. Although the concrete plan itself was not fully implemented, its basic features were strongly reflected in government policy thereafter.

## VI

Despite the comments and reservations I have expressed here, I believe that the book under review is a very important contribution to the understanding, not only of the motor vehicle industries of the major Latin American countries concerned, but also of their economies and politics in general, and of TNC-host country relations, labor union movements, and their relations with government in particular. Although the book’s coverage ends with 1982, it provides us with an important paradigm and conceptual framework for a deeper understanding of Latin American development and crisis. I am convinced that when we discuss the present crisis of the region caused by accumulated external debts, we should not forget the development pattern and the particular industrial, economic, and political structures of the individual Latin American countries.

(Akio Hosono)

*Food Grain Procurement and Consumption in China* by Kenneth R. Walker, Cambridge, Cambridge University Press, 1984, xxi+329 pp.

## I

Library stacks stand heavily laden with an enormous output of books and articles on the modern Chinese economy, most soon rendered worth little more than the paper they are printed on as Beijing politics shifts to left and right and information newly