
Editorial

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In this, the first of a two-part special issue exploring new perspectives on policy and development in the auto world, a changing global geography is at once apparent. The papers presented deal, inter alia, with important aspects of things as they stand today in China and India, South Korea and Malaysia, Australia and the USA. On the one hand, we have the still emerging or newly emerged auto economies of the future, experiencing growth even as Western economies struggle with economic crisis. And on the other, two 'advanced' economies: Australia, dependent for its fortunes on US producers and on its attractiveness to Japan as one investment destination amongst several in the Asia Pacific, and USA itself – the birthplace of mass production, struggling to adjust to rapidly changing realities if far from defeated.

1 Globalisation, corporate strategies, industrial policy and employment

In a previous two-part special issue of *International Journal of Automotive Technology and Management* organised around change in the world auto industry and policy responses, we emphasised the degree to which questions of globalisation and the changing contours of world economic geography – and not least the shifting status of countries and producers in North and South, West and East – loomed over the materials assembled by a diverse set of authors (see Bailey et al., 2010a). These questions were evident throughout the range of policy themes explored, vis-à-vis industry movements, the role of institutions, stakeholders and firm responses, as well the different pressures and contingencies brought to bear on actors, including of course the latest economic crisis for the advanced economies, felt more severely there than elsewhere.

In this further special issue, the terms and scope of the policy debate is carried forward by a series of papers which together advance our appreciation of a complex of inter-related considerations, centred on growth, employment and the role of the state, mediated throughout by the impact of corporate strategies in a globalising world.

A first and immediate point of note is the emphasis given by successive contributors to the simultaneous consideration of industrial policy and employment side issues. If the global dynamics of employer–employee relations seem everywhere on the move, in a world being refashioned by the competitive investments of firms combining with an increasingly liberalised international trading order and inward and outward flows of foreign direct investment, the contributions gathered in this issue nonetheless consistently identify a stakeholder role for workers, working communities, and unions. And this is as true for the analyses of the advanced economies as for those dealing with recently emerging or emerged economies, in which the initial existence of a comparatively cheap labour force possessing relevant skills is highlighted as a key developmental factor.

Equally striking is that every writer sees a positive role for government in shaping and facilitating growth and development, even where the particular experiences of individual national cases leads to different policy conclusions and recommendations. On the whole, a positive attitude towards 'strong' state roles is most evident amongst contributions looking at emerging or emerged markets, albeit with qualifications, with liberalisation and internationalisation best undertaken when government retains a strategic role. But interestingly, even in the case of USA a more proactive policy stance is identified in the form of an embryonic 'regional industrial policy' for manufacturing states. Only

for Australia, like the emerging economies possessed of a highly protectionist past, is there ambivalence about what the state should do now regarding industrial policy, reflecting in part the failure of previous policy stances to bear the desired fruit. Nonetheless, government assistance is still identified as a 'benefactor' for the auto industry.

A third point of note is the sensitivity shown throughout to regional dimensions in the analysis of national auto industry trajectories. At the global level, there is an awareness of the pitfalls as well as the potential prizes for national economies which emerge as 'hubs' within the new world economic order: the balance between domestic and international markets, the role of inward foreign direct investment, and the question as to whether to specialise or to diversify in product selections are issues repeatedly raised. But within national territories too questions of regional balance are also explored: the reader will find valuable materials on uneven development across the regions in China, the twin existence of regional industrialisation and regional disinvestment in India, and the auto-dependency of townships, communities and states in Australia and USA. A further dimension is added by the account given of the politics of ethnicity in Malaysia.

For national and regional policy makers there is a balance to be struck between the potential economic gains of specialisation and those of diversity. In the former there are the classic cost benefits from more efficient labour markets and specialised sub-contractors, but the potential problems of being vulnerable to external trends. For the second there is the potential of new combinations and radical innovation but the downside is the possibility of losing mainstream mass employment. In different ways, and in different connections, these themes are explored in these papers (on the regional impacts of globalisation in the auto industry, see also Bailey et al., 2010b).

While just some of the themes that can be explored by reading across the papers, it is interesting to see also the differential impact of the recent financial crisis. Thus in China, with central and local government incentives supporting domestic automobile sales, the impact upon production has not been dramatic. In India, while some market segments and models have been affected, along with jobs, auto output has 'not suffered significantly', sustained by demand from a growing domestic consumer class. In South Korea, domestic sales recovered quickly from the immediate impact, while on the international stage its continuing advances into world markets have been striking. For Malaysia, a less successful exporter than Korea, a stimulus package from government aimed at supporting 'national' producers, to the irritation of non-nationals, has been required to offset shrinking exports, investment, employment and earnings; but even here overall growth was sustained throughout 2008, and with contraction in the following year still less severe than that found in more 'advanced' economies – a shared conclusion. A point made in several papers is that the South East Asian trauma of the late 1990s was a far more painful experience than the fallout from the recent Western financial crisis.

By contrast, in the case of USA, the national economy has suffered its steepest falls in both auto production and sales since the Second World War, with capacity utilisation dropping to its lowest recorded level over that period, and 'massive' job cuts in both auto assembly and the parts industries; exacerbated in the case of the indigenous producers Ford, GM and Chrysler by rising oil prices which hit the light-truck industry. In Australia, experiencing a sharp drop in car sales, and with urban centres proving highly vulnerable, and component part makers also impacted by the loss of US contracts, things are still not so bad – again, the regional basis has offered some insulation.

2 An overview of contributions

Turning to a brief overview of individual contributions, the point can therefore be made that while each paper is insightful in its own right when considered alone, read together they also help paint a complex and vivid picture of recurring policy dilemmas. While the approaches taken shed light on their particular subjects, what is of equal significance is the insights gleaned by comparing and contrasting their different vantage points.

The first paper by Qingbin Wang ('Development and trends of China's automobile market: evidence from urban household ownership of cars, bicycles, motorcycles and motorbikes') is in the first instance an insightful qualitative and quantitative survey of growth trajectories and compositions in the Chinese automobile market, broadly defined. Its demand analysis extends to include a range of personal transport products – bicycles, smaller capacity engine and larger capacity engine motorcycles, and cars – stratified by regions, urban versus rural settings, and consumer income brackets. A shift in household purchases from bicycles to smaller engine motorcycles and cars in urban areas, and to larger engine motorcycles in rural areas is carefully discussed. En route, the emergence of unbalanced regional distributions of activity, vis-à-vis both growth and foreign investment, are noted, as too the growing importance of joint ventures. This thorough study also provides original quantitative (econometric) estimates of income elasticities of demand for each of these four main product categories, adding significantly to a previously under-researched topic and with practical policy implications – for the estimation of incremental emissions of greenhouse gasses that could be expected from economic growth in China at current levels of technology, and for urban congestion. The role of China as a major importer and exporter is also considered, and here too knowledge of domestic income elasticities will prove valuable to trade analysis.

At the same time, Professor Wang also notes that in addition to size of population China possesses significant advantages in labour cost – Chinese resistance to exchange rate appreciation being a major bone of contention with Western economies – combining the benefits of a surplus labour economy with access to advanced techniques, with joint ventures accounting for some 60% of automobile output in recent years. This too points to a major area of exploration, and not least with respect to labour.

Such issues come to the fore in Anthony P. D'Costa's study ('Globalisation, crisis and industrial relations in the Indian auto industry') of India, which also brings the institutionally and politically determined realities of industrial relations into the picture. Cogently arguing that national and local as well as global factors matter, D'Costa considers how the industrial relations environment in India has affected auto industry investment, by means of historical exegesis – tracing the history of union organisation in a large and heterogeneous country marked by regional diversity and hierarchical and paternalistic social relations, both before and after the opening up of the Indian economy in the 1980s to trade and foreign investment – and regional assessment. He describes how the industrial relations climate has partially shaped the geography of Indian auto production, with the 'labour stronghold' of West Bengal, home of India's first car company, but suffering gradual disinvestment, losing out against less unionised regions. The establishment of special economic zones (SEZs) threatens to drive a further wedge between regions, and similarly between workers already divided by status and sector. The author makes the case for an active government role to stabilise industrial relations and to facilitate the adjustment processes for India's changing industrial geography.

The perspective deployed highlights the changing scope allowed union organisation as the Indian economy has opened up to the world economy, passing in the case of its auto industry from post-independence protectionism through joint ventures to liberalisation and internationalisation, guided throughout by the government policy stance. The thesis advanced is that while the space permitted workers has been redefined, the sunk cost and adjustment cost realities of capital commitments by corporations, combined with the attractiveness of emerging markets to capital combined with cheapness of labour, means that even when faced with transnationals workers retain some power – notwithstanding the pressures of globalisation on wages and benefits, and on ‘pockets’ of militancy. The result is a rich analysis of changing dynamics: the insistence by foreign corporations on company unions, at the expense of older forms of political-party affiliated unions, has in its own way eliminated one impediment to collective representation. The exposition presents illuminating data on industrial relations disputes, strikes and lockouts. A careful account is also given of India’s disorganised component sector, characterised by small enterprises, lack of union representation, and limited job security and benefits.

A series of policy proposals for government (and firms) are also considered, ranging from employment legislation to land compensation to programmes for inter-regional adjustment, including provisions for training, skills and education, as well as industrial policies to promote a more diversified export and a more inclusive home market – as well as encouraging research and development, not least with respect to alternative fuels.

The next paper by Byoung-Hoon Lee (‘The political economics of industrial development in the Korean automotive sector’) adopts a case study approach to the question of industrial restructuring in South Korea’s auto sector, while again drawing out the relevance of both the employment relation and state policy. The argument advanced is that the Korean case is best understood as a hybrid model of industrial development, learning first from Japan and then from Europe, and as such not reducible to any simple dichotomy separating market liberalism from state involvement. One feature of note in this regard is that Professor Lee advances a careful critique of the burgeoning ‘Varieties of Capitalism’ (or VoC) literature, vis-à-vis its relative neglect of the significance of government industrial policies to processes of economic development. A key conclusion is that the ‘persistent’ influence of the state remains key to the trajectory of South Korea’s car manufacturing and related automotive industries – a ‘tightly coupled’ relationship differing in degree to that found in more advanced economies.

A particular feature of this subtle analysis is that economic progress is consistent with both unionisation and employment relations which are far from conflict free. In this respect, a careful account of industrial development is married to an assessment of the institutionalisation of collective bargaining and social dialogue at national level. Auto industry supplies to the US military in the 1950s gave way to later South Korean advances enabled by technological borrowing from Japan and active state protection, promotion, regulation and direction, before relaxation in the later 1980s and the introduction of ‘neoliberal’ reforms which accelerated after the 1997–1998 crisis. At the same time, workplace relations were simultaneously transformed by democratisation, which saw low wage production and authoritarian workplace discipline give way to militant labour unions pressing for better wages and improved working conditions. The trajectory is thus a complex one, specific in its historic trajectory, but vigorous – with South Korea now ranking as a leading centre of export driven production growth.

Once again, the initial existence of a comparatively cheap labour force possessing relevant skills is identified as a key factor for auto industrial development. And again the significance of the auto industry for the twin pursuit of industrial policy and industrial relations research is emphasised, as part of a wider political economy. Moreover, in the course of assessing the Korean case, Professor Lee also describes how the crisis of the later 1990s saw the emergence of a two-tier workforce, combining the deployment of both regular and irregular workers – low-pay contract workers – on the same production lines, with pressure exerted too on component part suppliers to reduce costs. There are parallels (and differences) worth noting here with D’Costa’s description of the role of contract workers in India, and the disorganised state of the supply sector.

Peter Wad and V.G.R. Chandran Govindaraju offer an absorbing account of Malaysian development (*‘Automotive industry in Malaysia: an assessment of its development’*) notable in equal measure for both similarities and differences with the Korean case. In this case too, state protection for and sponsorship of indigenous production has been an historic feature of industrial policy, prompted in part by the perceived failure of joint venture experiments with foreign car makers in the 1970s, and one maintained moreover for a longer period – challenging the *‘Washington Consensus’* – before liberalisation. But whereas the progression of Korea as a major force in the world economy seems clear, a comparatively weak trade performance – with persistent deficits – in automotive products points in this case to outstanding weaknesses in industrial upgrading and international competitiveness to set alongside gains in sales, production, employment: without its domestic base, there are signs that Malaysia’s national auto industry would struggle.

After a brief précis of the traditional defence and critique of state protection as a means of fostering infant industries, the authors explore this issue by assessing the policies favoured by Malaysia’s government from a *‘global value chain’* perspective. They build upon recent research perspectives which highlight the importance to local businesses of the levels of *‘support’* provided by state agencies or other stakeholders – to identify and take remedial action to remove gaps in technological and marketing capabilities. Wad and Govindaraju trace this lack of support to the political sphere. Reviewing successive initiatives launched from the 1980s by the Malaysian state, from the first national car project (PROTON) to sister projects involving smaller cars, heavy vehicles, motorcycles and light commercial vehicles, they identify a series of errors – including excessive reliance upon Japanese management inputs at enterprise level, and a non-integration of production and marketing functions reflecting the politics of ethnicity – that have combined to undermine what in other respects have been worthwhile efforts.

Here the policy recommendations match the path now taken by the Malaysian government, involving a move towards incremental rather than drastic reform. Interestingly, and in addition to a call for stronger linkages with research organisations, including universities, and a reconsideration of export strategy in world markets, the authors also call for high performance work systems and new business models which will involve multiple stakeholders that include Malaysian trade unions – arguing that better advantage must be taken of workers *‘hands-on’* knowledge and organisation capabilities, in order to engender a *‘bottom up’* mobilisation of resources for innovation.

The penultimate paper (*‘Becoming an endangered species? The future viability of Australian automotive manufacturing’*) by Chris F. Wright, Stephen Clibborn and Russell D. Lansbury, looks at the Australian automotive industry. Once again, we find a protectionist policy regime ceding ground to a more liberal international economic order,

but leading in this instance to a thoroughgoing dependence of a domestic industry on the decision making of just three foreign-owned transnational corporations: General Motors, Ford and Toyota. The future of the Australian auto industry now depends not only on the willingness of national government to play the role of a 'benefactor' but also on the future decisions of foreign-owned parent companies whose own prospects look increasingly 'uncertain' in light of 'recent global market fluctuations'.

In this penetrating study, the authors explore the difficulties faced by a national government attempting to find the right balance of protection, openness, support and competition, when the outcomes are never quite what it hopes for. They commence with an engaging account of the 'protectionist settlement', Australia's historic experiment in providing domestic businesses with protection against imports in exchange for 'fair and reasonable' basic wages and a regulated system of industrial relations. In this connection they review the evolution of the Australian car industry, a 'creation of governments' and 'powerful trade unions', from its inception in the 1920s, through post-war attempts to induce participation of foreign-owned car makers, to the first moves towards active trade liberalisation from the 1970s onwards, accelerating in the 1980s and 1990s. And they assess the persistent downturns thereby engendered – brought to the 'brink of collapse' – without understating the problems that accumulated in the protectionist period. Of particular interest also is the persistence of a 'tripartite' spirit and of employer support for union collective bargaining arrangements in a dramatically reoriented industrial sector, as too the vicissitudes of government thinking about best markets and products.

In the final paper by Thomas Klier and James Rubenstein ('What role did regional policy play in addressing the US auto industry crisis?') we come to the state of play in the original heartland of volume car and auto production: USA. The paper is framed by the impact of the financial and economic crisis which saw sales and production slump and product stocks cut through 2008 and 2009; and it provides a fascinating account of the travails of the 'Detroit 3', with particular regard to the manoeuvres undertaken to save the cash-strapped Chrysler and GM from liquidation – running from short-term financial assistance from the outgoing Bush administration, to 'bankruptcy' to permit 'reorganisation and repayment of debts', and an accelerated re-emergence with acceptance of the recommendations of the Presidential Task Force established by the new Obama administration requiring business restructuring in exchange for finance.

At the same time, it also makes an important policy observation: that while not an explicitly stated outcome of the support measures for the industry, intended for short-term stabilisation of the US economy with long-term strengthening of manufacture, it is possible to see the basis of a new 'regional industrial policy'. The authors describe, succinctly and clearly, the emergence of 'auto alley' – a long corridor running from North to South between the Great Lakes and the Gulf of Mexico, containing thousands of parts plants and several dozen assembly plants – formed by the combined effects of transplants from Japan and elsewhere from the 1980s onwards, and the investment and closure programmes of the US auto producers. Drawing on a carefully constructed data set pertaining to auto alley supply networks, they identify both geographic concentration and inter-locking business relationships as key factors not only driving the fact but also determining the form of auto industry assistance – regionalised at the point of delivery to 'auto communities', and encompassing, in addition to financial and other assistance for the Detroit 3, a range of locally-impacting measures including investment in transport, jobs training, and housing and urban development.

3 Summing up

Taking these papers both individually and collectively, and in this first part of a two part special issue, we see industrial policy, employment policy, and regional policy pushed to centre stage, and in the context of a changing world order. We see massive growth potentials in China and India, a demonstrated break-through on the world stage by South Korea, and yet another candidate for eventual success in Malaysia – and against this, USA in the process of structural adjustment, and Australia occupying an ambivalent position as to which policy direction to take, part of the ‘advanced’ world, but competing in quite different terrain from the old industrial powers of the North and West.

What is perhaps remarkable, however, is the evident consensus of perspective that wider social development – extending to include the interests of social stakeholders – is not an obstacle or alternative to auto industry development, but its essential companion.

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