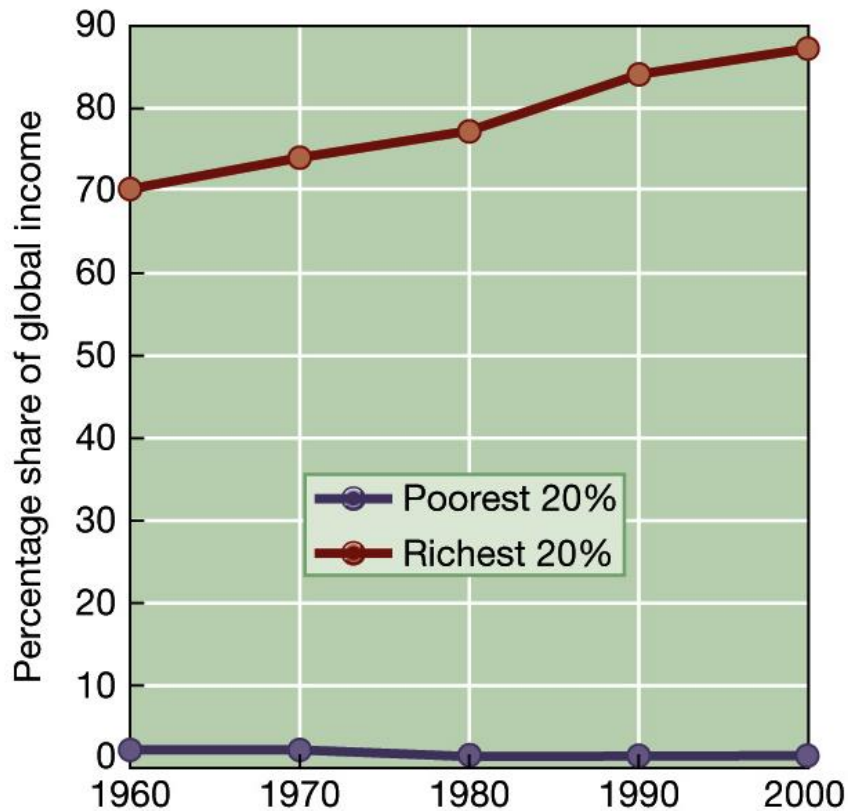


# Economic Geography

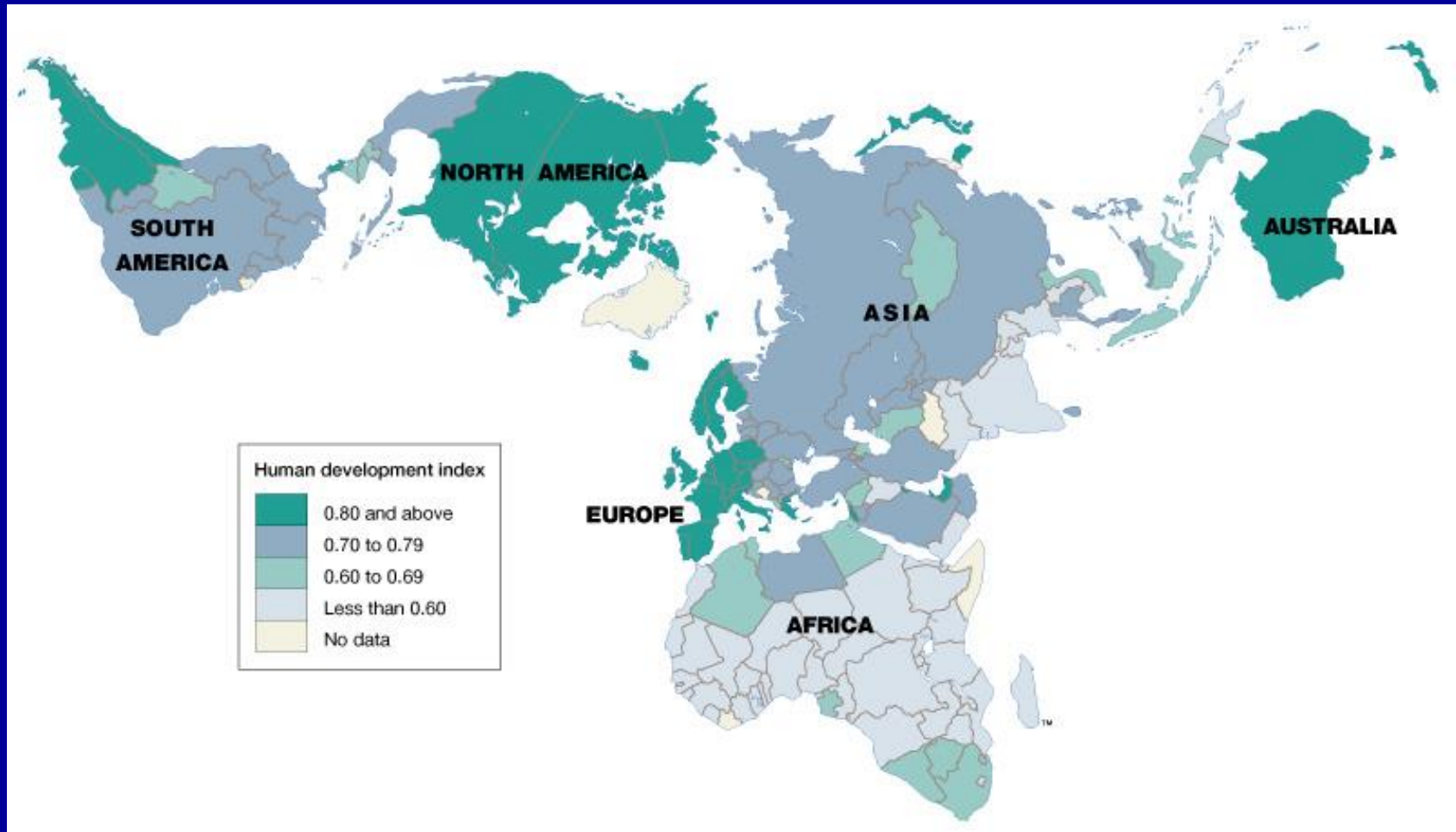


Spatial organization and distribution of economic activity

- Outcome of decisions
- Highly uneven at all scales
- Technology shifts advantages

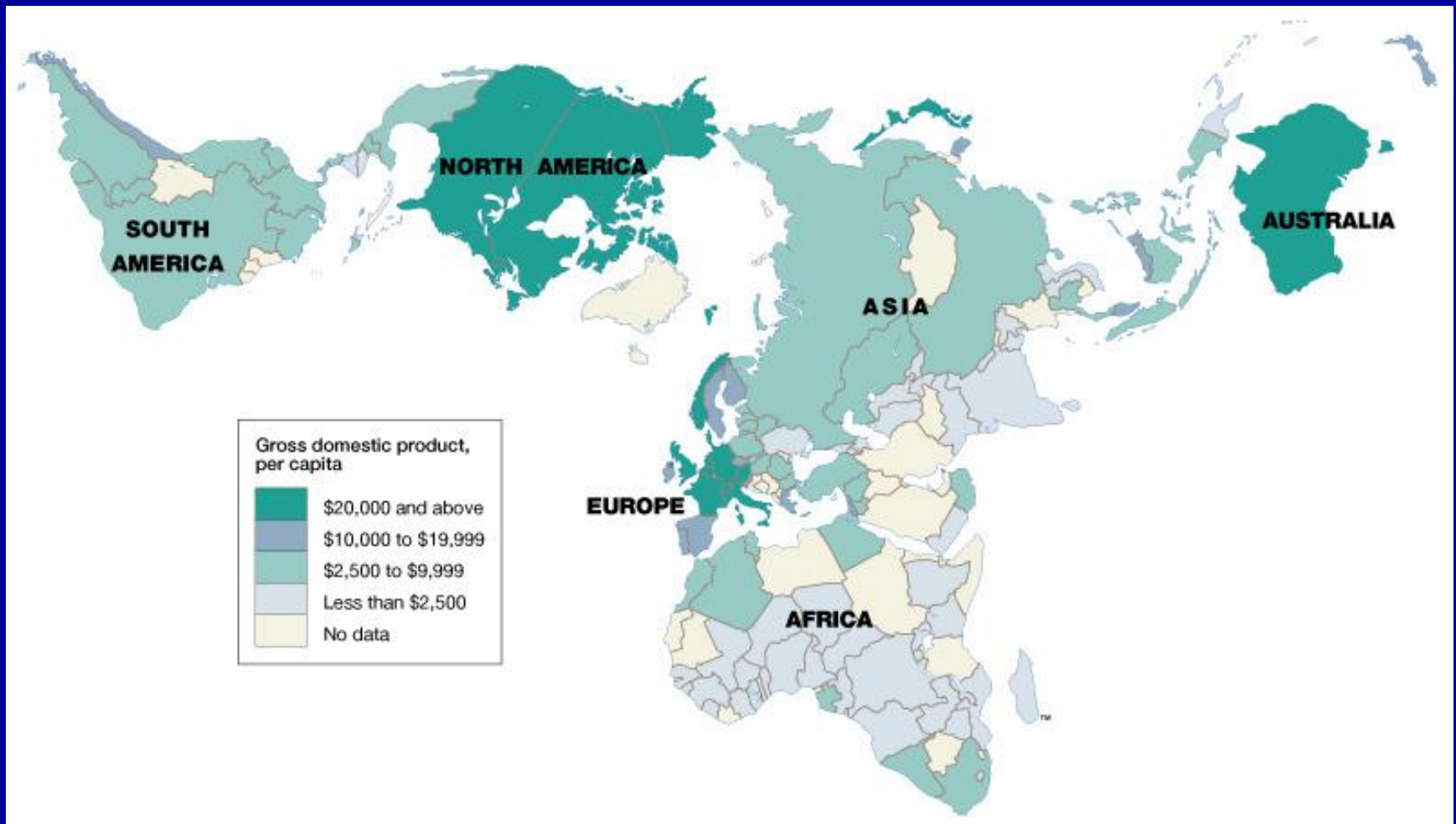
# Uneven globally

U.N. Human Development Index  
( life expectancy, education, income)



# Uneven globally

Per capita GNP (Gross National Product)  
( Total value spread evenly in population)

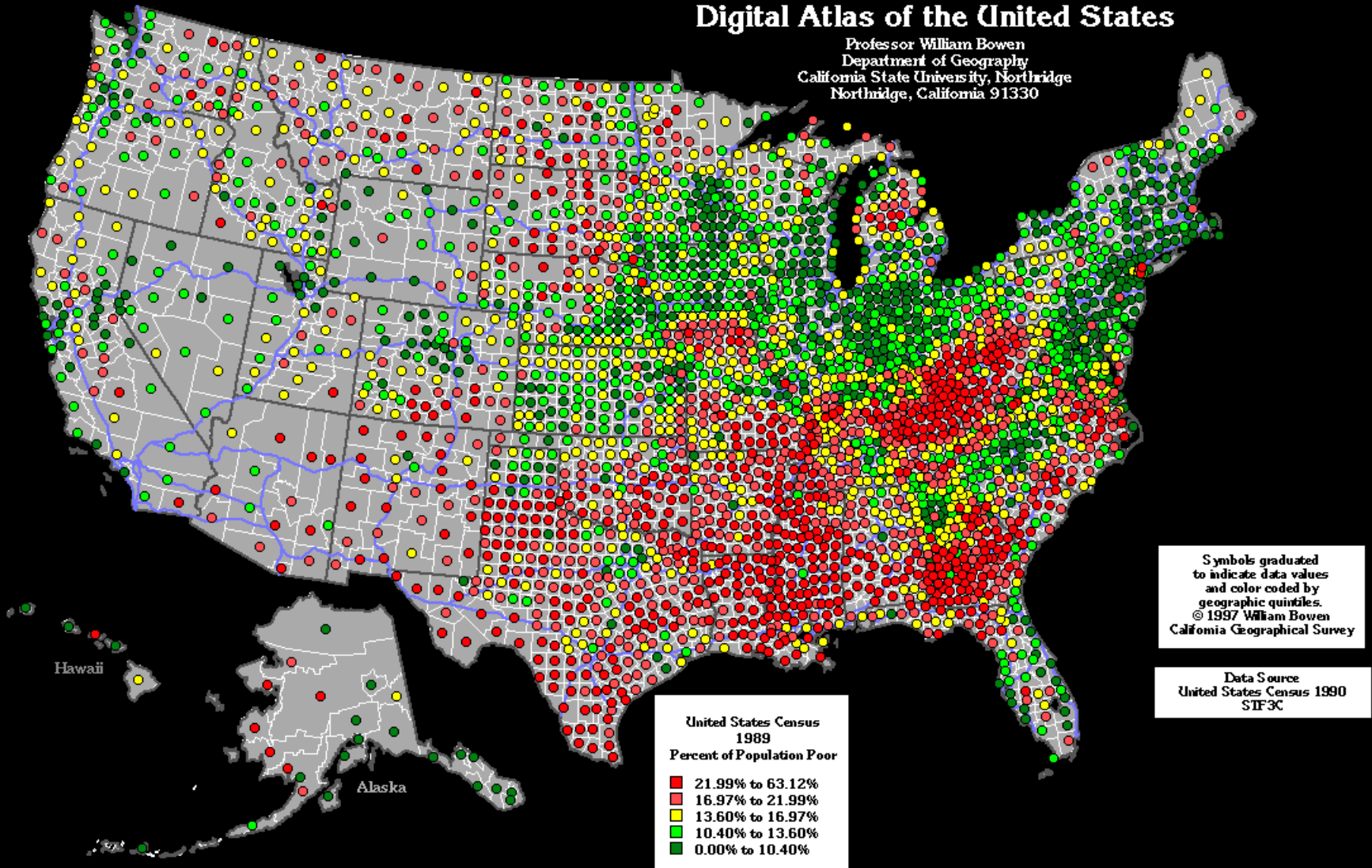


# Uneven nationally

U.S. poverty (red dots)

## Digital Atlas of the United States

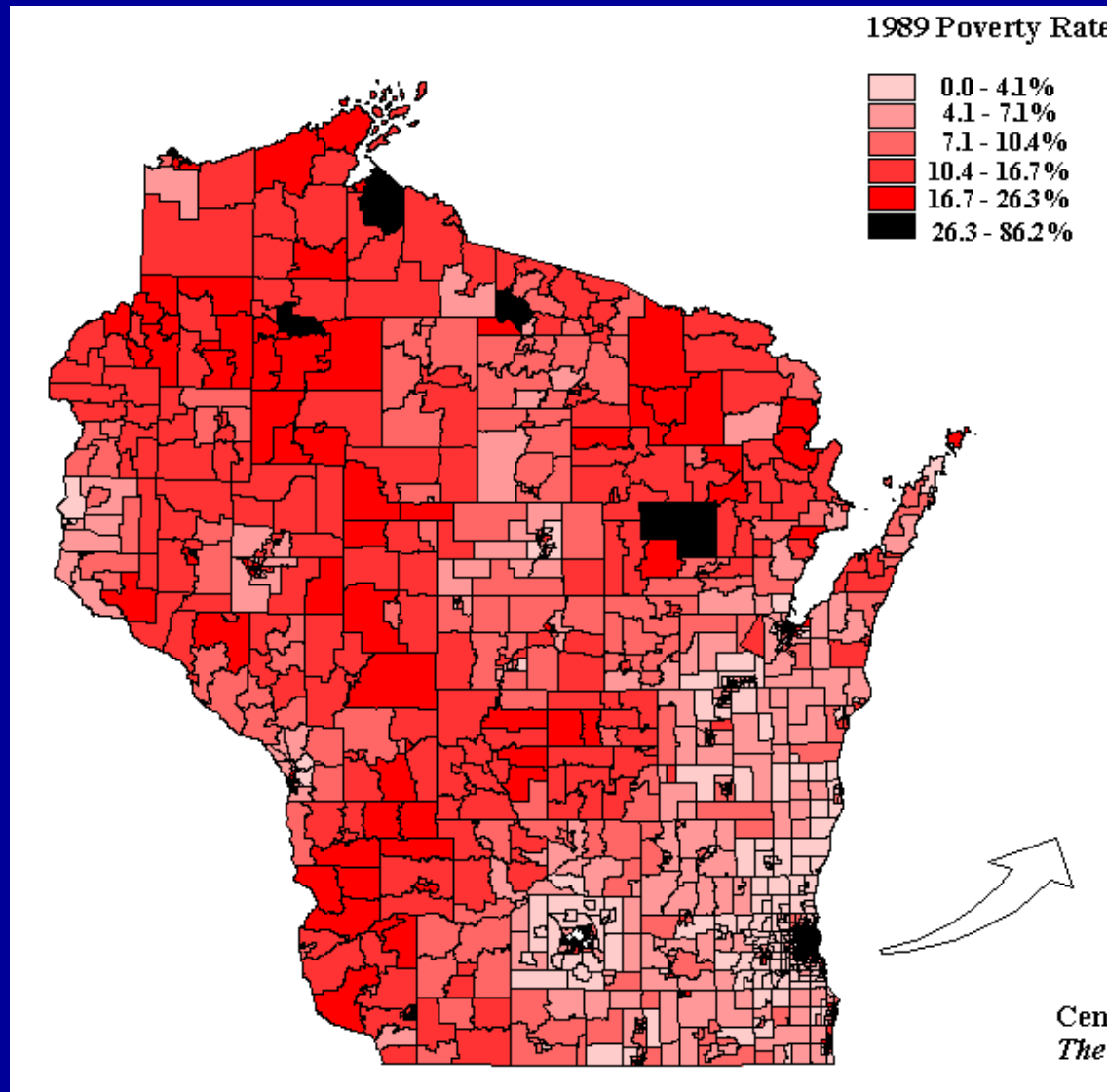
Professor William Bowen  
Department of Geography  
California State University, Northridge  
Northridge, California 91330





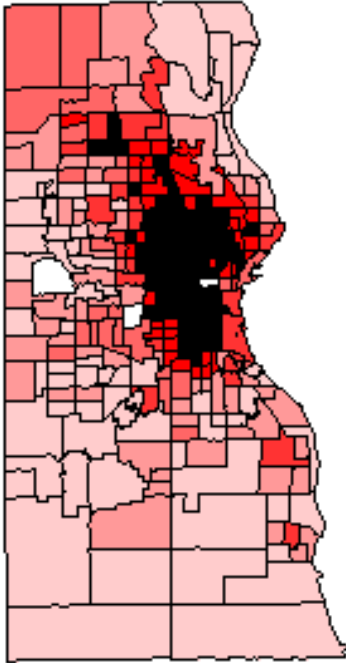


# Uneven regionally

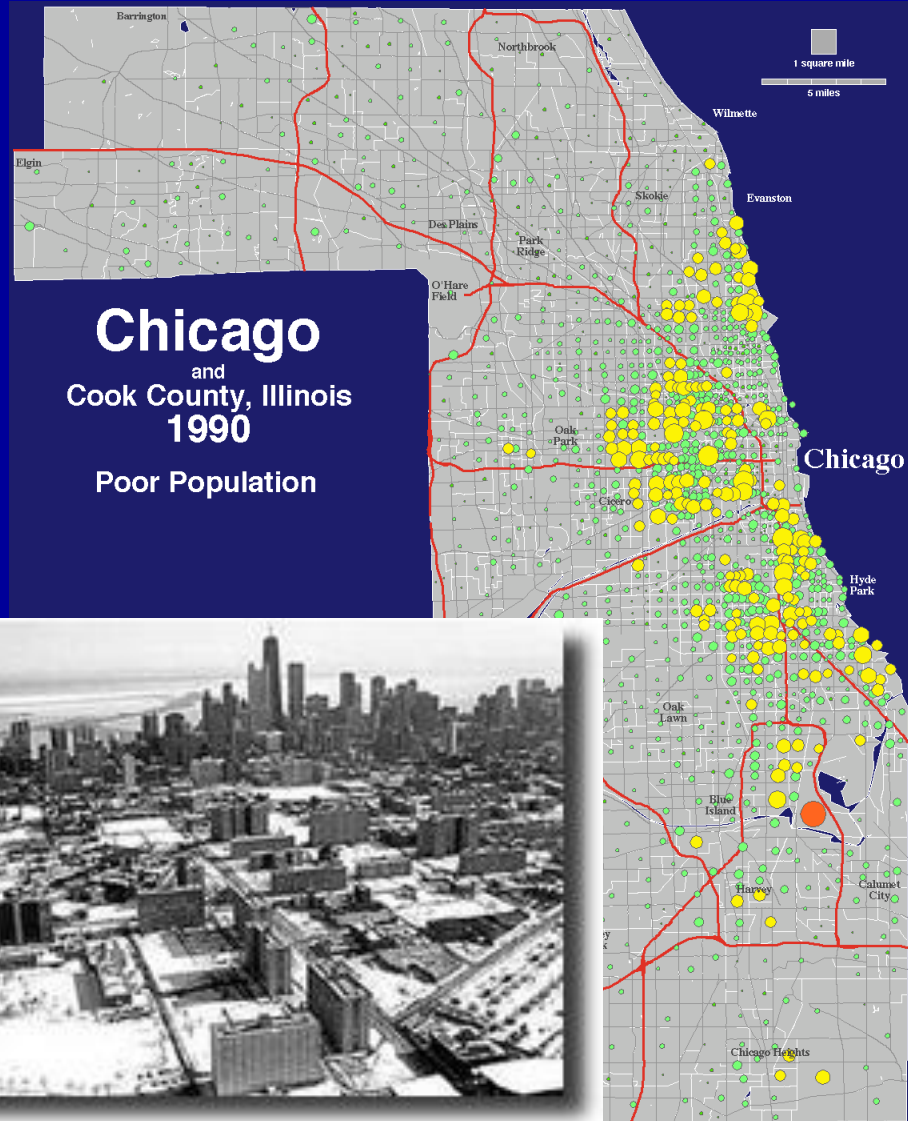


# Uneven locally (Poverty in Milwaukee, Chicago)

Milwaukee County



Center on Wisconsin Strategy,  
*The State of Working Wisconsin*



# Economic agents

STATES/ GLOBAL INSTITUTIONS

PRIVATE SECTOR

TECHNOLOGY

LABOR



# Global financial institutions

WORLD BANK

-makes loans

INTERNATIONAL MONETARY FUND (IMF)

-increases money flow

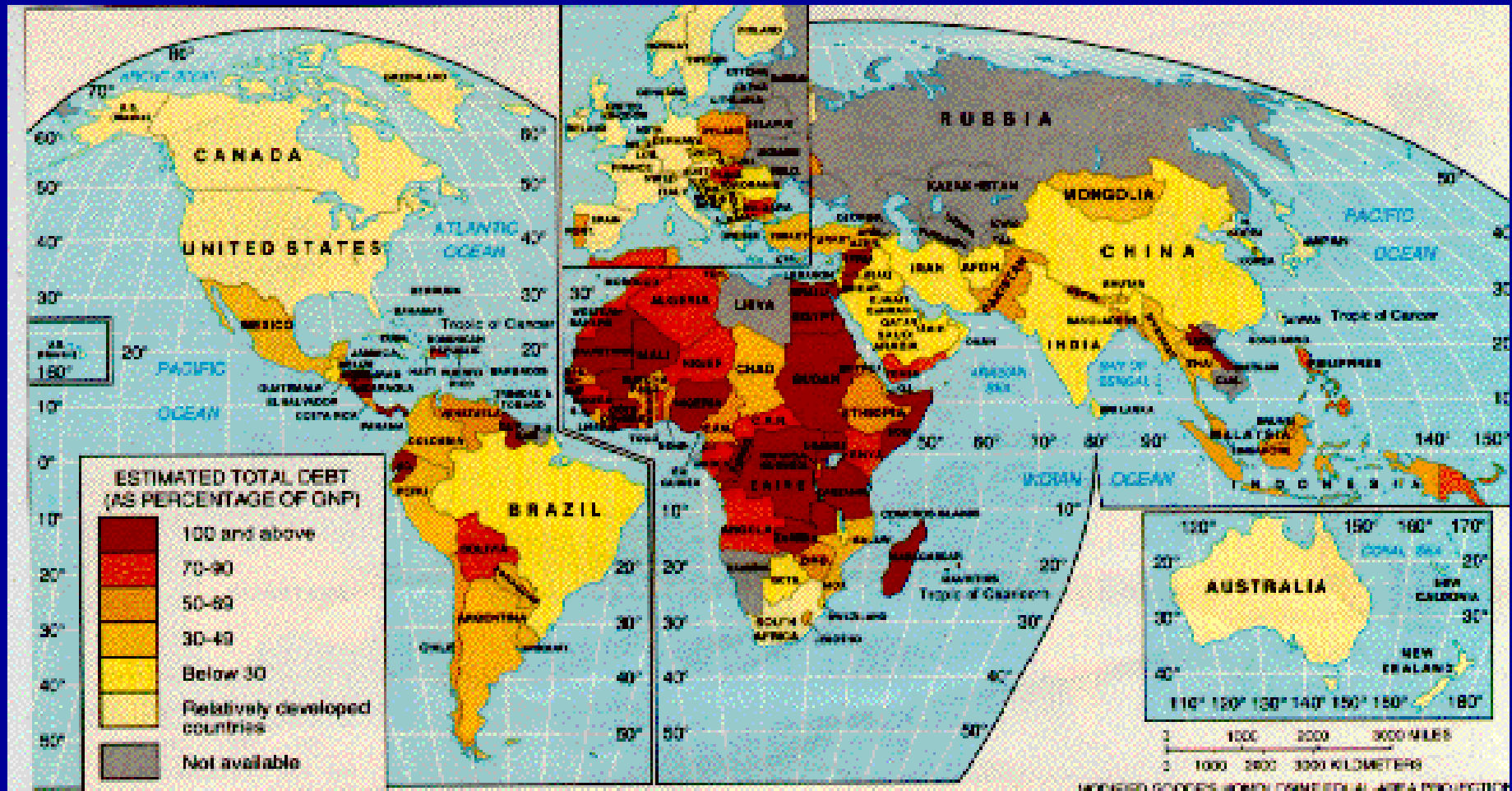
WORLD TRADE ORGANIZATION (WTO)

-sets rules of trade

# Structural adjustments

1. Privatize state industries
2. Limited government social spending
3. Increase imports from Core  
(product dumping)
4. Devalue currency to increase exports

# Debt as % of GNP





# Results of “austerity measures”

1. Government workers laid off
2. Price rises for privatized goods  
(fuel, water, medicine)
3. Domestic goods overwhelmed by imports  
(subsidies eliminated for domestic producers)
4. Less ability to purchase goods

South  
Korea



“Debt riots”



Bolivia



Jamaica



Argentina





# Free Trade Agreements

- North American Free Trade Agreement (NAFTA)
  - US + Canada + Mexico, 1994
- Free Trade Area of the Americas (FTAA)
  - Expanded NAFTA



# Zapatista revolt in Mexico



Began in Chiapas,  
January 1994

# Economic activities

- Primary
- Secondary
- Tertiary
- Quaternary

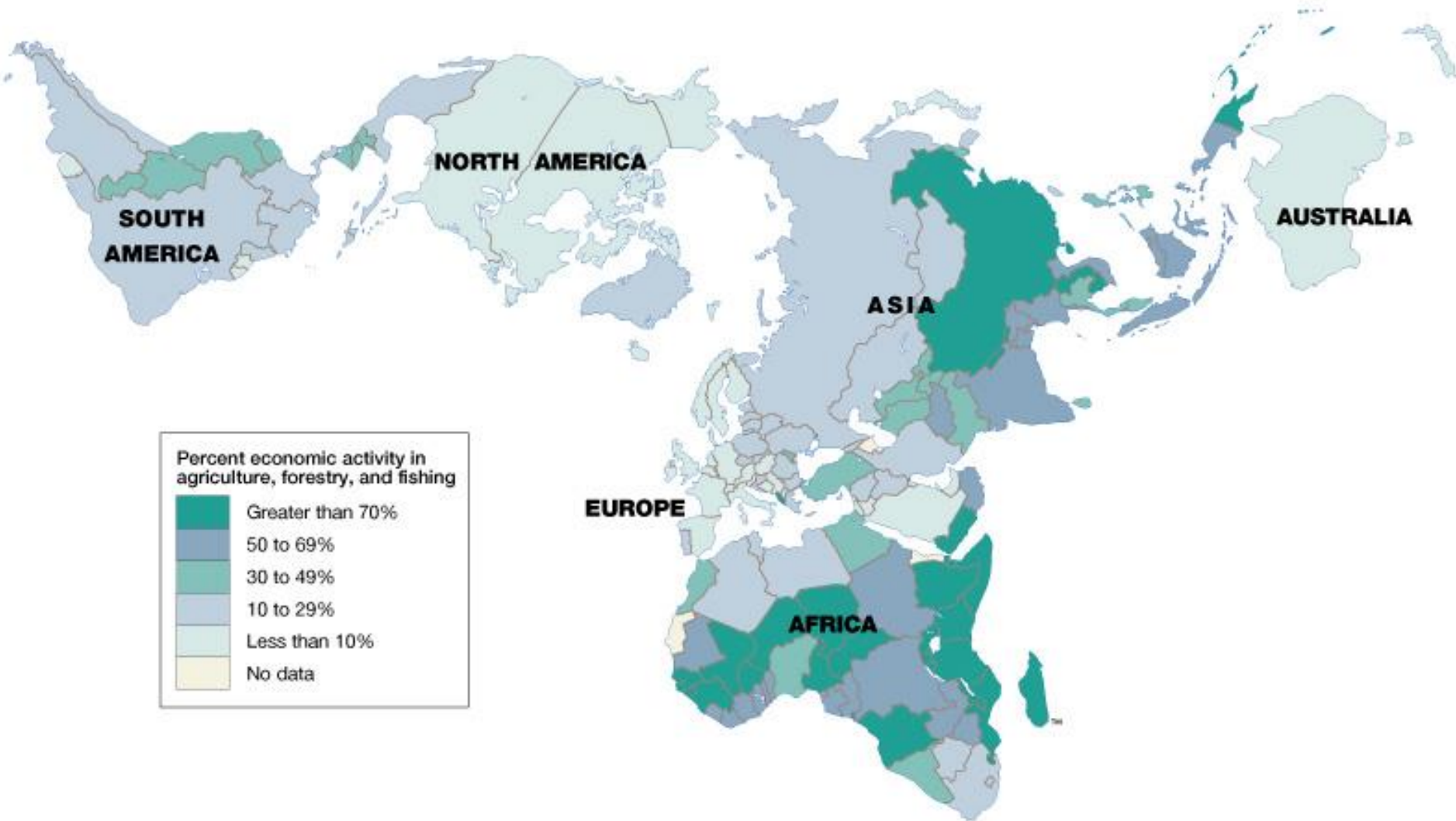
# 1. Primary activities

## Extracting raw materials





# Primary activities



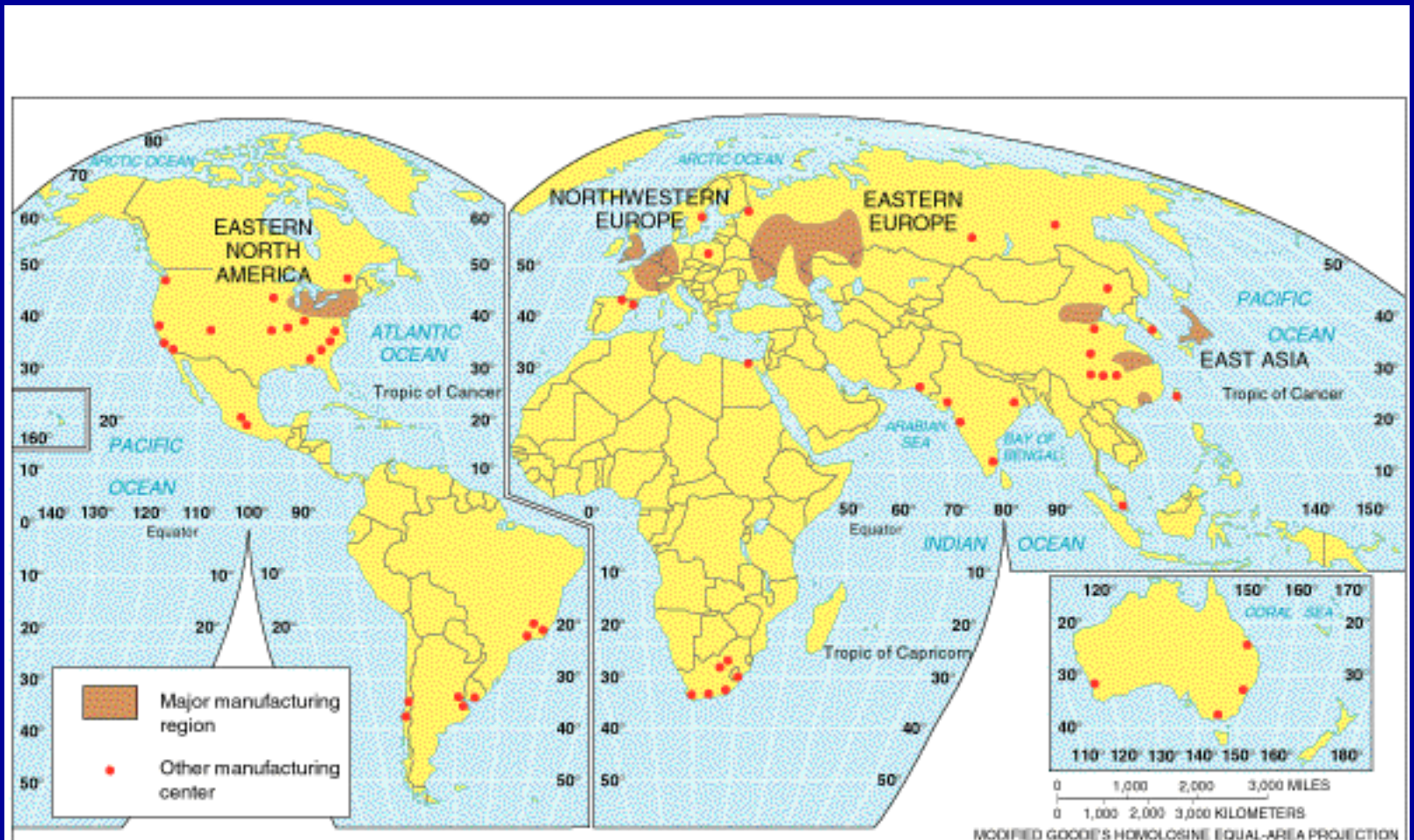


# 2. Secondary activities

Processing and manufacturing materials



# Secondary activities







# 3. Tertiary activities

Sales, exchange, trading goods and services

U.S. stock  
exchange



Call Center in India

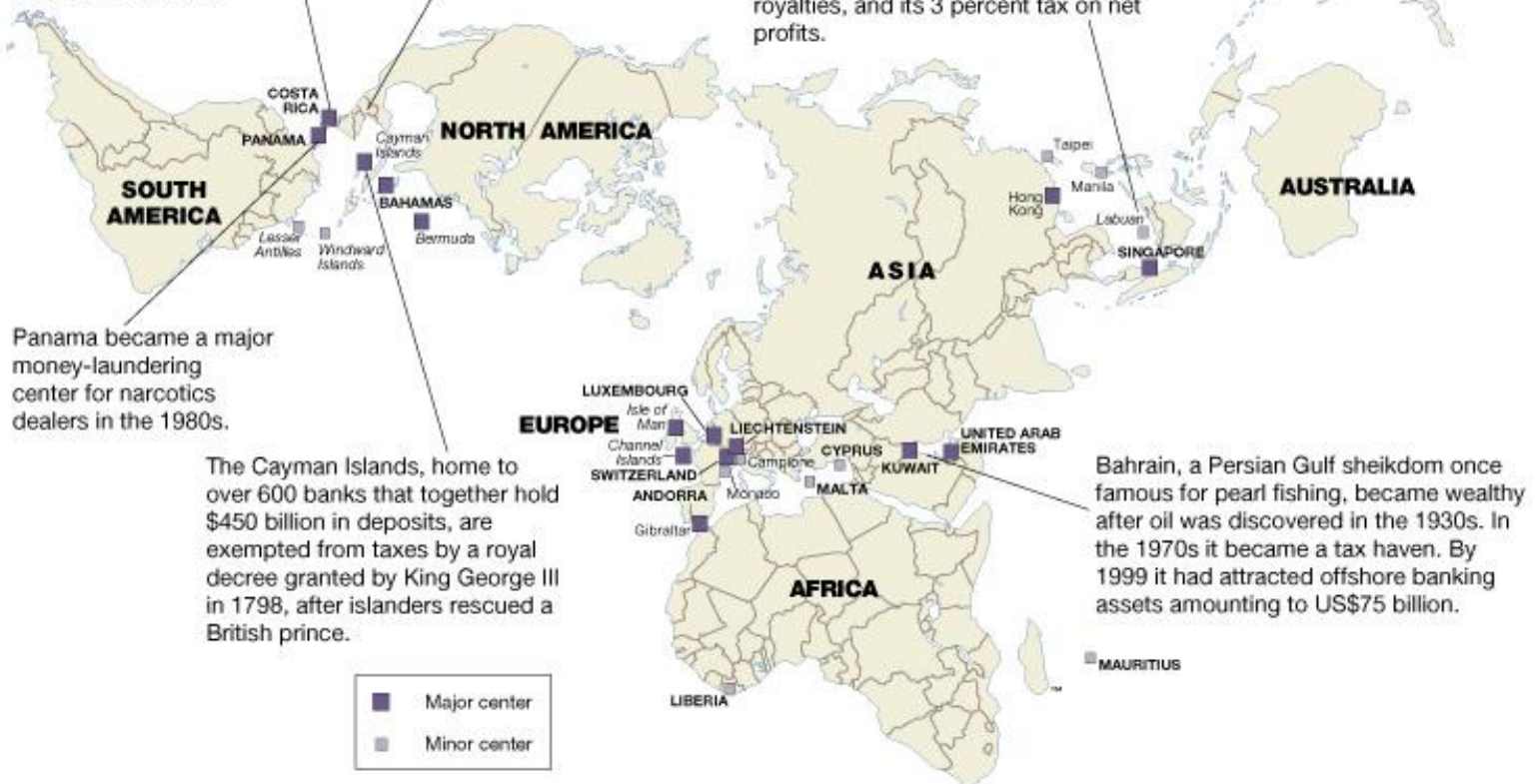
# Off-shore financial centers

In addition to its role as an offshore tax haven, Costa Rica has become a haven for "pensionados"—retirees from North America who enjoy landed immigrant status, a public health-care system, and no taxes on their pensions, dividends, or trust earnings. In 1999, about 55,000 former Canadian residents and about 125,000 former U.S. residents were living in Costa Rica.

Belize set up shop as an offshore financial center with a 1989 law that authorized "International Business Companies" (IBCs)—anonymous, tax-exempt companies that can be set up with just \$100 without the owners ever setting foot in Belize. By 1999, over 1800 IBCs had been established.

Labuan, formerly a penal colony and pirates' lair, has been deliberately established as an International Offshore Financial Center by the Malaysian government in order to attract business from Hong Kong and Japan. By the mid-1990s nearly 30 banks and almost 300 companies had decided to take advantage of Labuan's zero tax on dividends, interest, and royalties, and its 3 percent tax on net profits.

Vanuatu, in the New Hebrides, has no laws against money laundering, no asset-seizure laws, no foreign-exchange controls, and no personal or corporate income taxes. About \$60 million passes through its banks every day.





# 4. Quaternary activities

Processing knowledge and information



# Silicon Valley, California



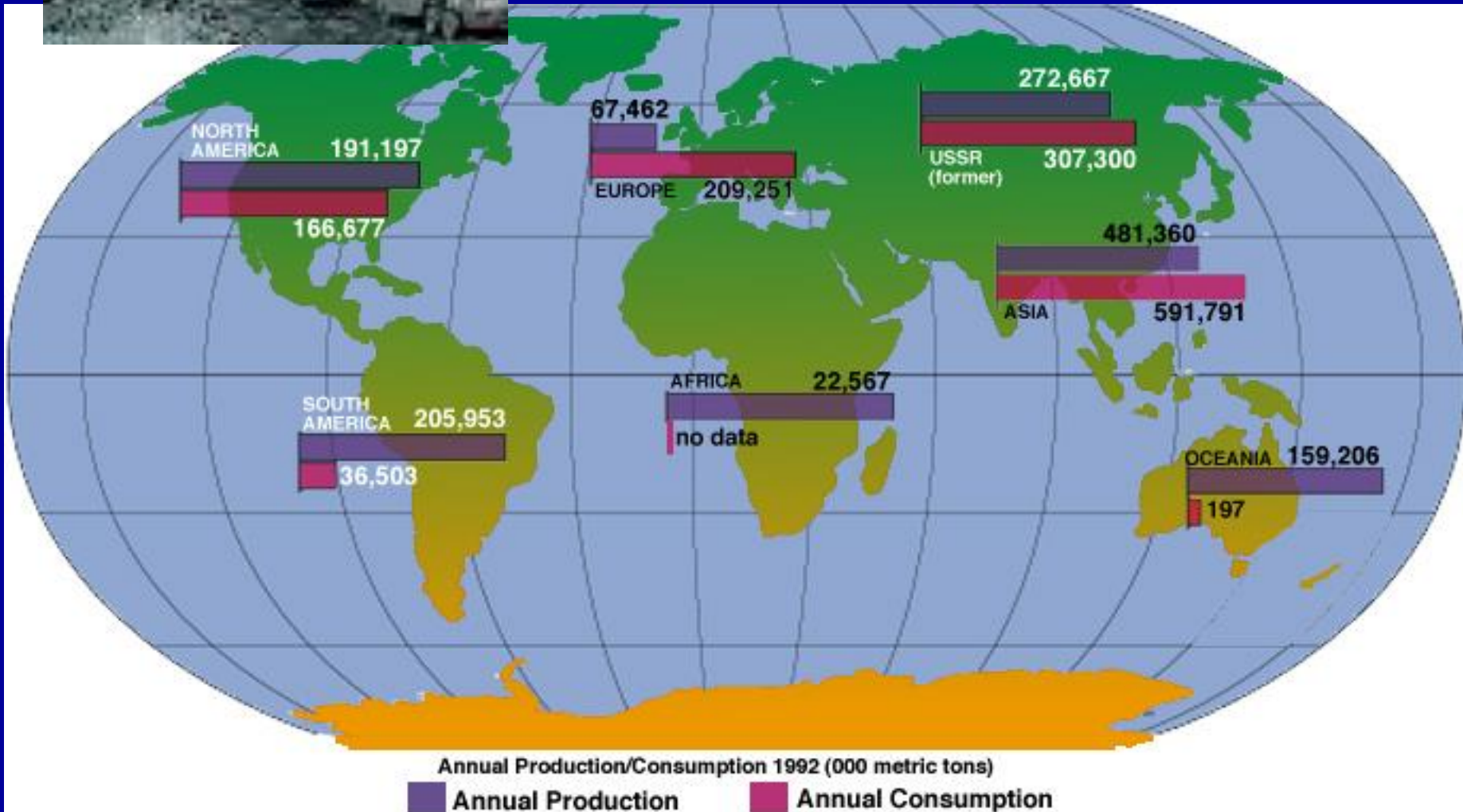
# Place in Economic Geography

- Where firms come from is important.
- As firms expand ...
  - they stitch together places
  - they create global interdependency

# Principles of location

- Raw materials
- Labor supply and cost
- Processing costs
- Markets
- Transport costs
- Government policies
- Human behavior

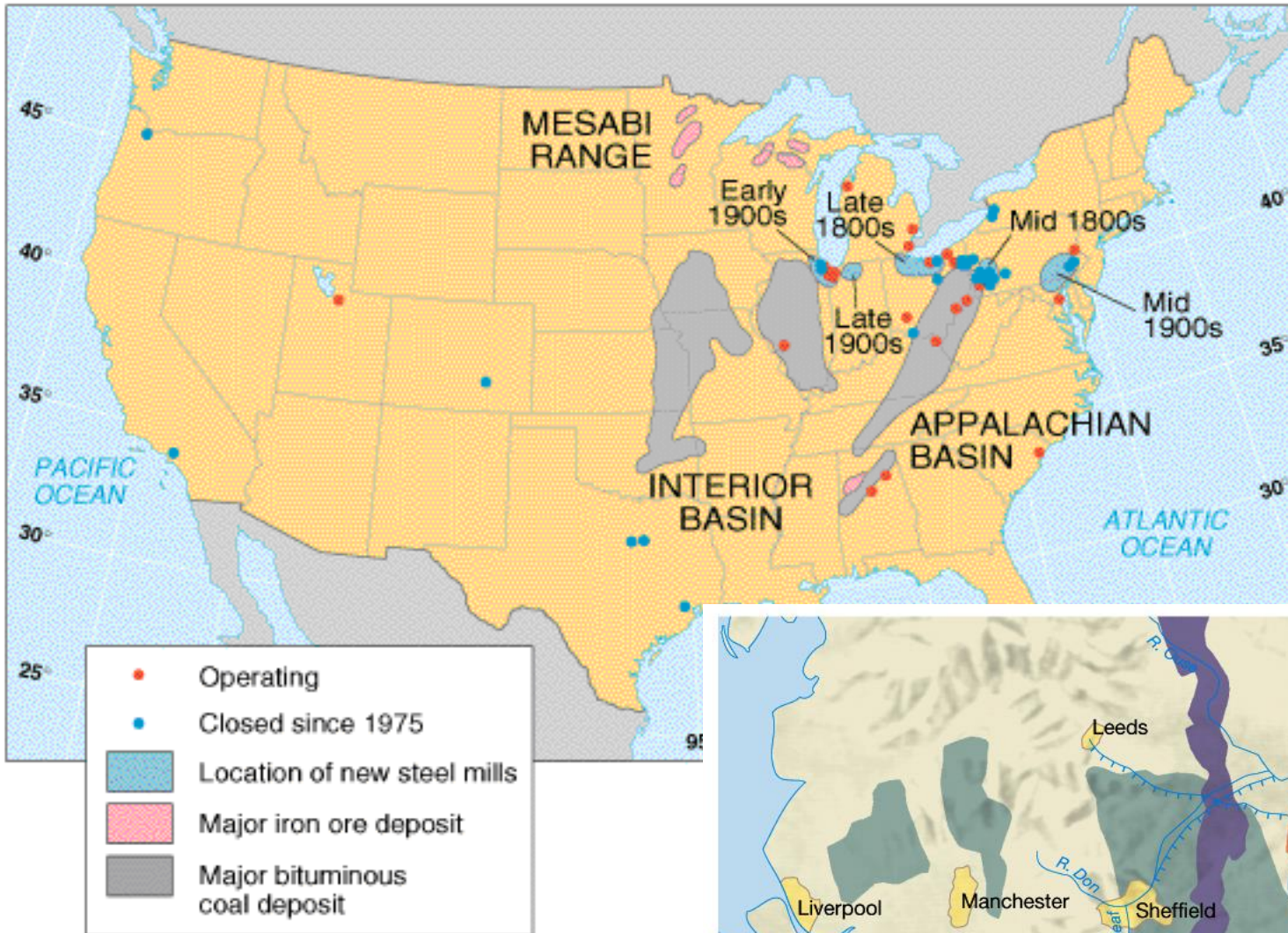
# PRIMARY: Natural resources



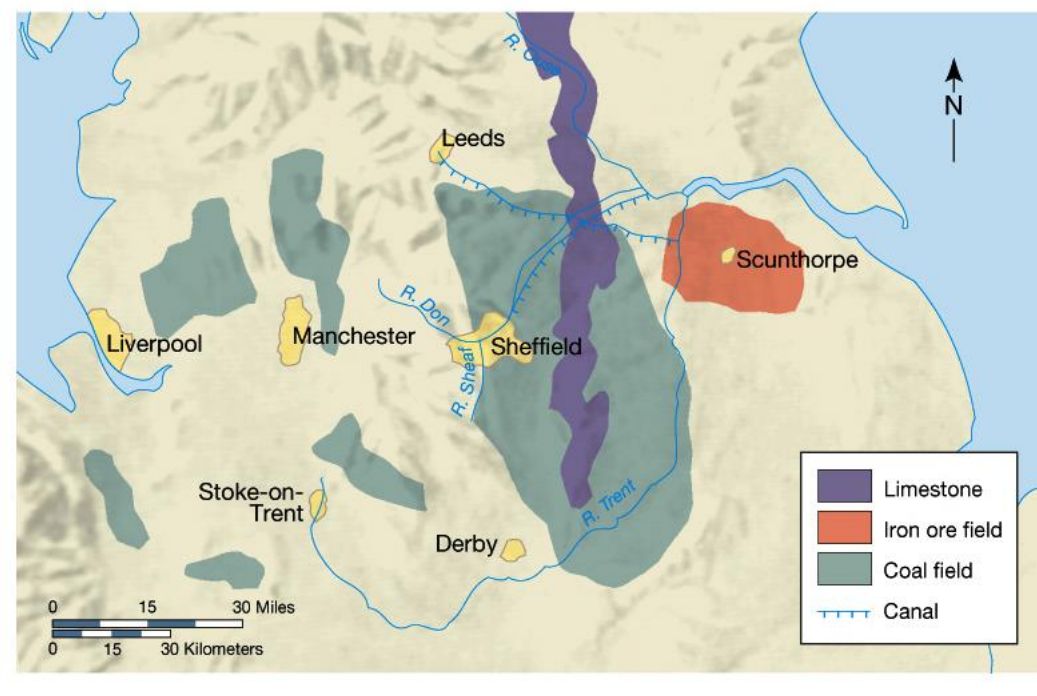


U.S.

U.K.



# Geography of the Steel Industry

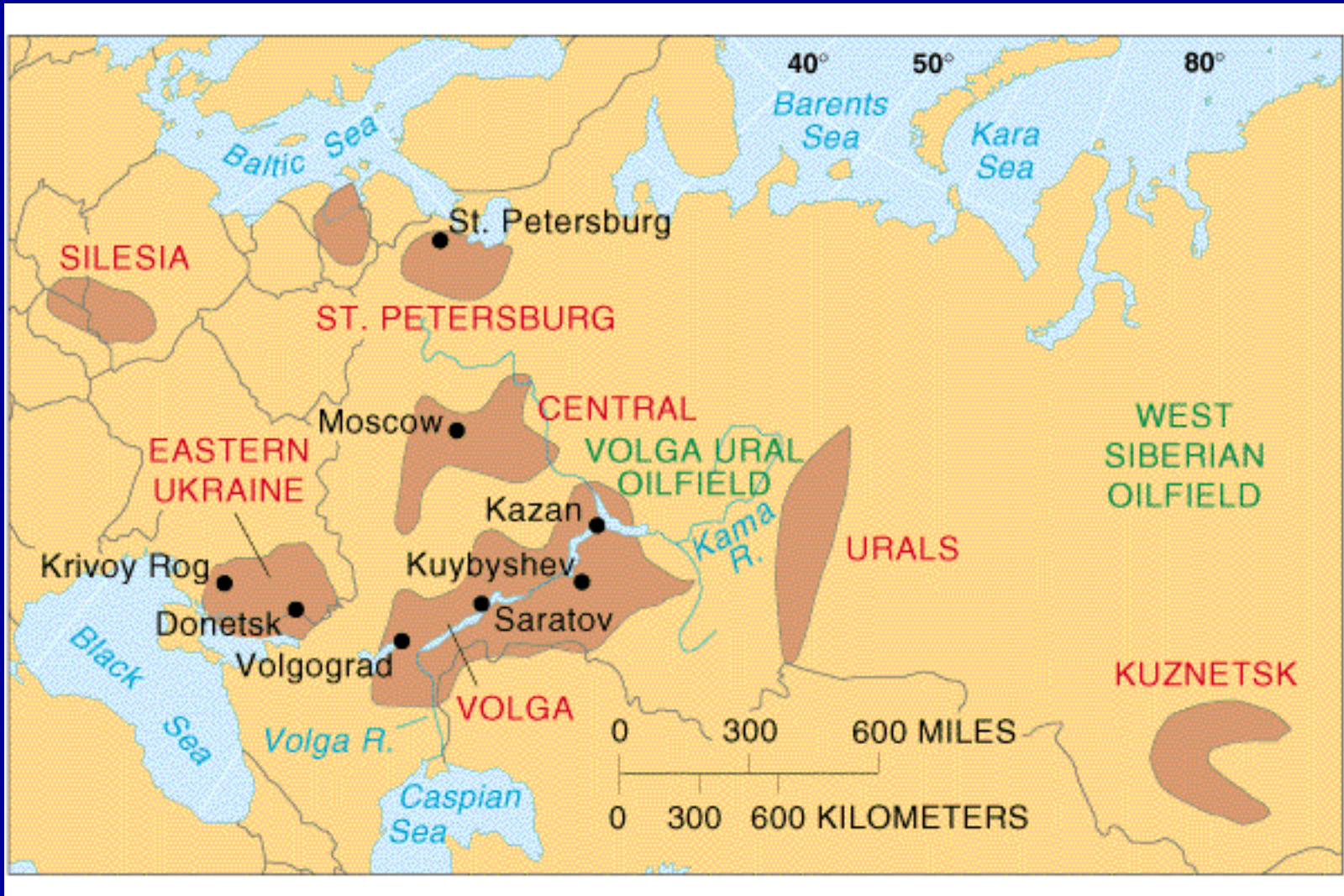


# East Asia: Contemporary Industrial Hot Spot





# Eastern Europe and Russia



# Resource dependency

(“Banana Republic,” “Oil state,” etc.)

**TABLE 7.2** Commodity dependency of selected African countries

	<b>Primary commodities as % of total export earnings</b>	<b>Principal nonfuel mineral as % of total export earnings</b>
Mauritania	99.9	Iron ore (45.0)
Namibia	95.0	Diamonds (40.0)
Niger	97.9	Uranium (85.0)
Sierra Leone	63.2	Diamonds 32.0)
Togo	83.3	Phosphates (47.0)
Democratic Republic of the Congo	68.7	Copper (58.0)
Zambia	99.7	Copper (98.0)



# Resource cartel

(One strategy to leave the Periphery)

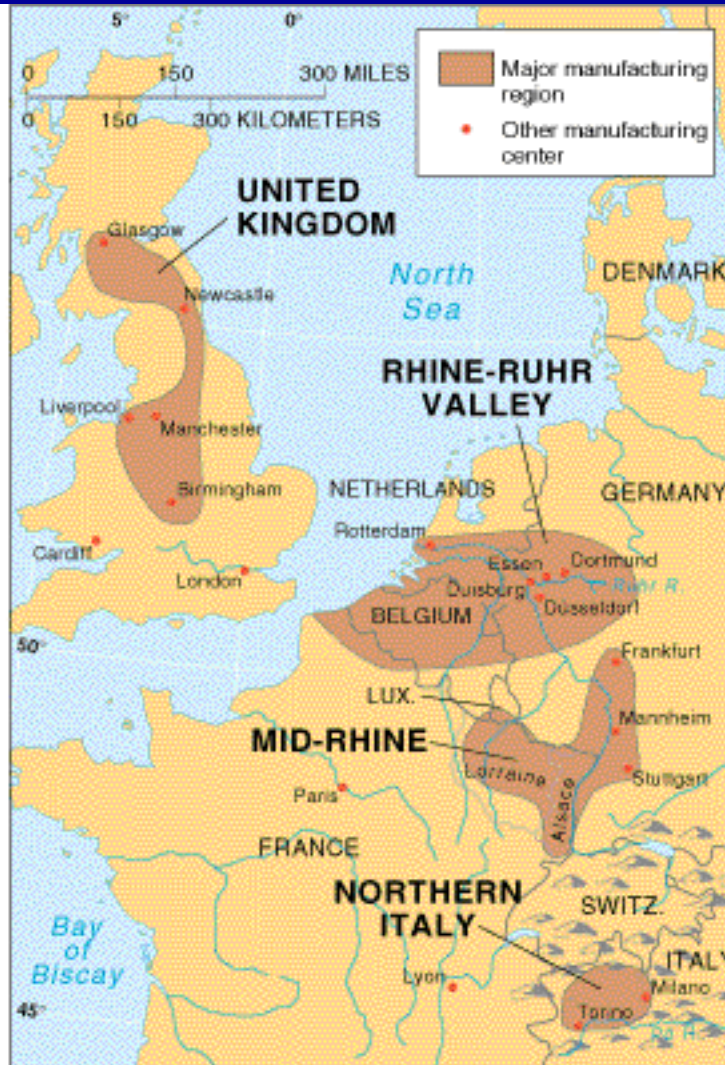
## The Organization of Petroleum Exporting Countries (OPEC)

- |              |                             |
|--------------|-----------------------------|
| 1. ALGERIA   | 7. KUWAIT                   |
| 2. LIBYA     | 8. QATAR                    |
| 3. NIGERIA   | 9. SAUDI ARABIA             |
| 4. INDONESIA | 10. UNITED ARAB<br>EMIRATES |
| 5. IRAN      | 11. VENEZUELA               |
| 6. IRAQ      |                             |



# SECONDARY: Industry

## Manufacturing Regions of Western Europe



# Global economic processes

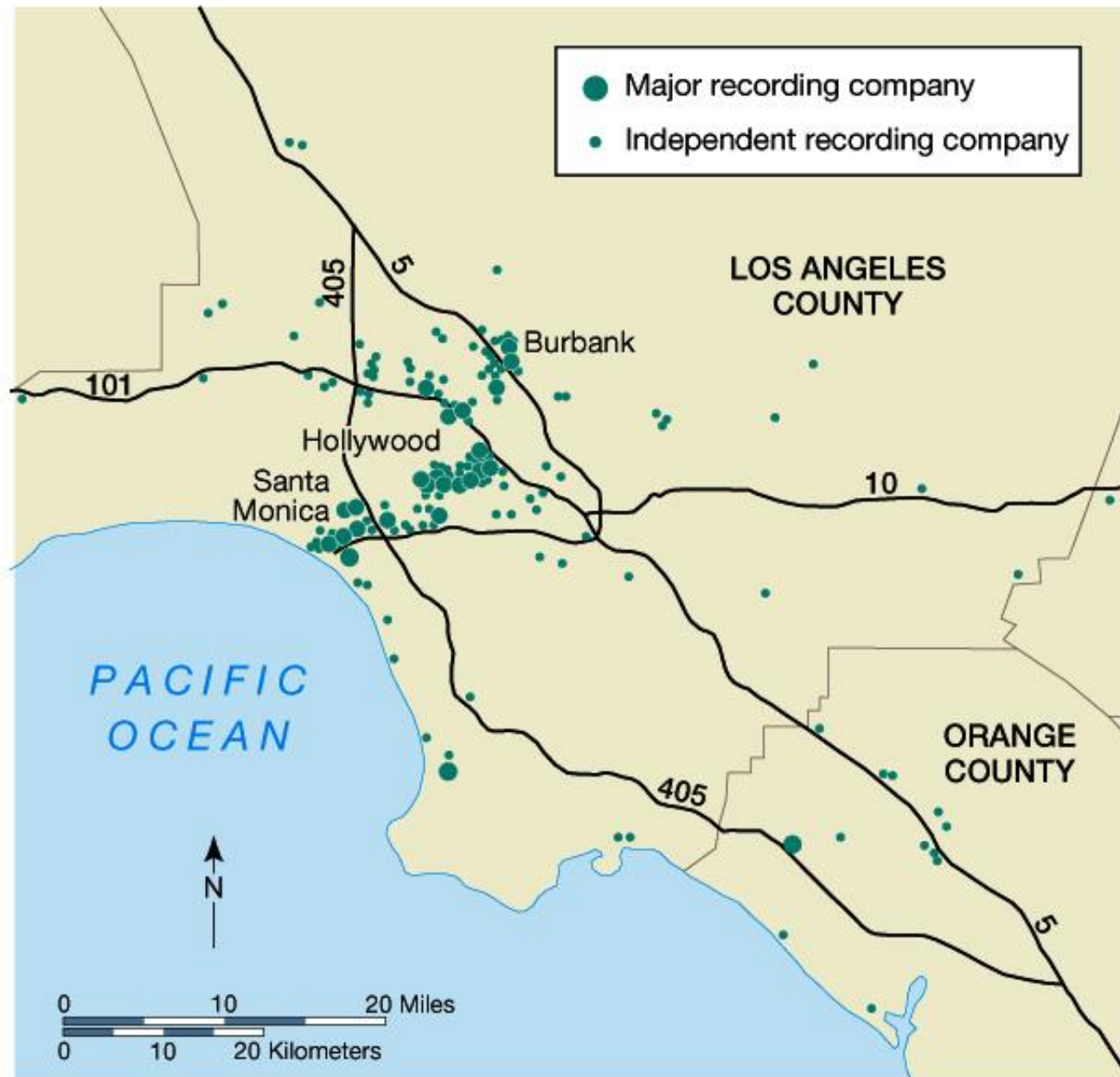
- Spread and deepening of investment, trade and production flows
- Agglomeration of trade and production sites
  - (e.g., free trade zones, global cities)

# Agglomeration

(clustering of an industry)

- Availability of ancillary (service) industries
- Infrastructure (fixed social capital)
- “Forward linkages” to markets





# Agglomeration diseconomies

- Traffic, pollution, full waste dumps
- High rent and taxes
- Labor shortages and turmoil





# AUTO INDUSTRY

1. General Motors
2. Ford
3. DaimlerChrysler
4. Toyota
5. Volkswagen
6. Honda
7. Nissan
8. Fiat
9. Peugeot
10. Renault



# “American” cars?



Japanese  
Nissan plant  
In Tennessee



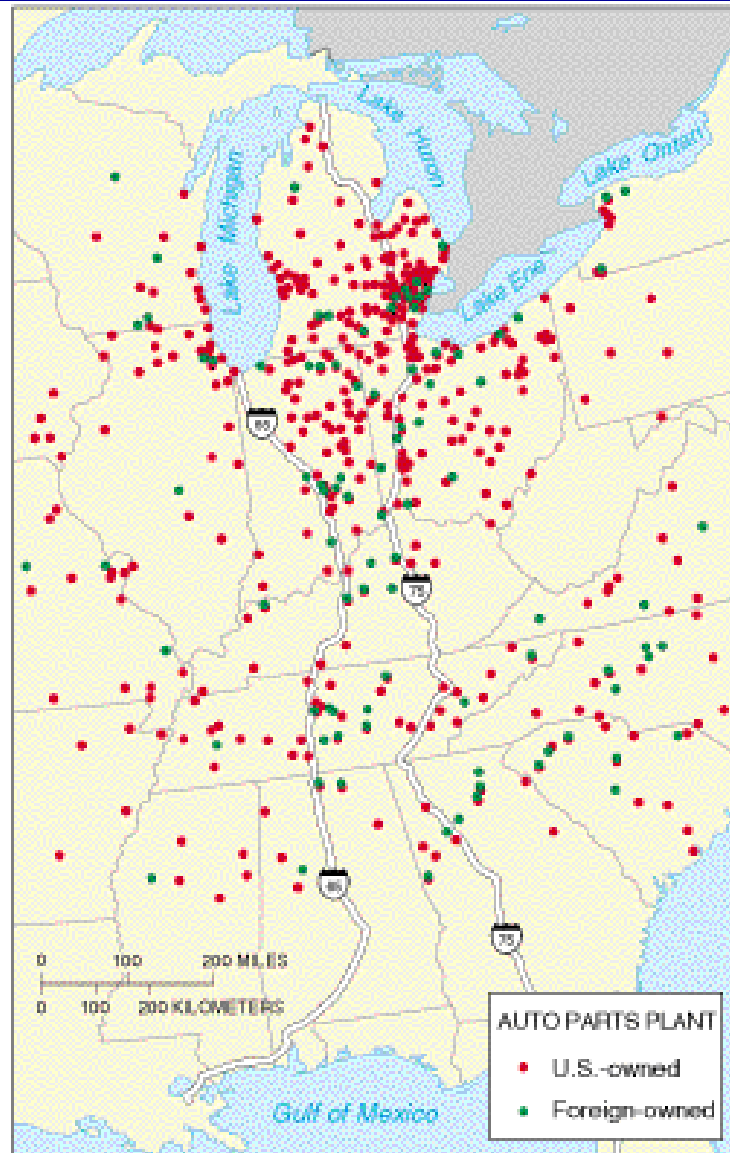
Geo Metro made in  
Japan, marketed by GM



Jaguar made in  
UK by Ford



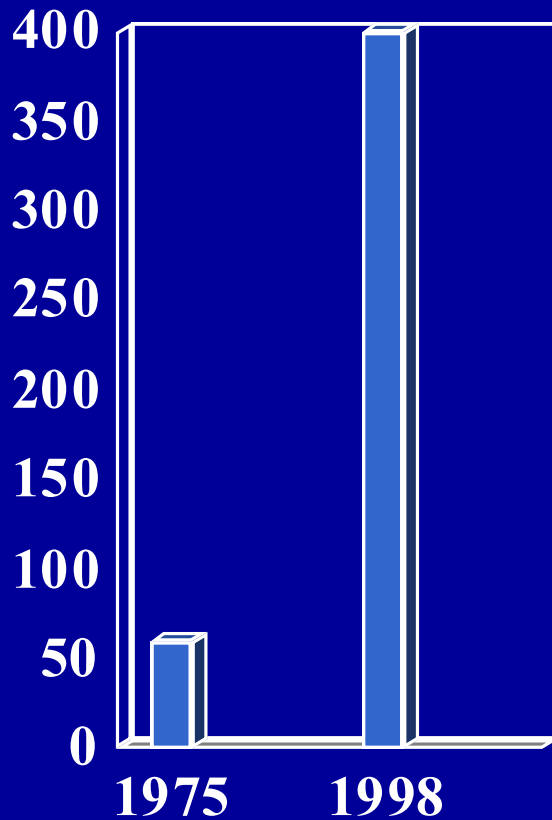
# U.S. and Japanese Owned Motor Vehicle Parts Plants



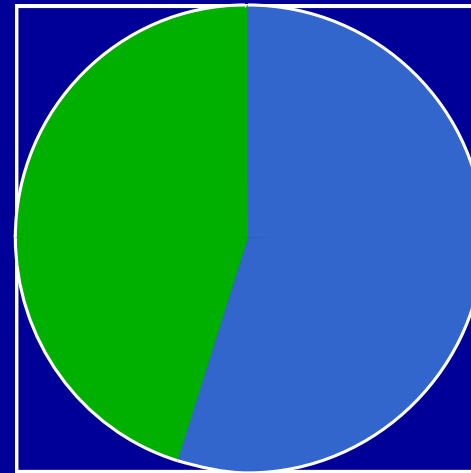
# New International Division of Labor

- Specialization in particular kinds of economic activities ...
  - of different people
  - of different regions
- Geographic division of labor
  - “Spatial justice”

# Foreign direct investment by businesses



Billions of dollars



Core  
Periphery / Semi-periphery



# Deindustrialization in the Core

- Relative decline in industrial employment
  - Automation and “runaway shops”
- Reinvestment in higher profit areas
  - Sunbelt states (non-union)
  - Semi-periphery and Periphery



# Economic Structure

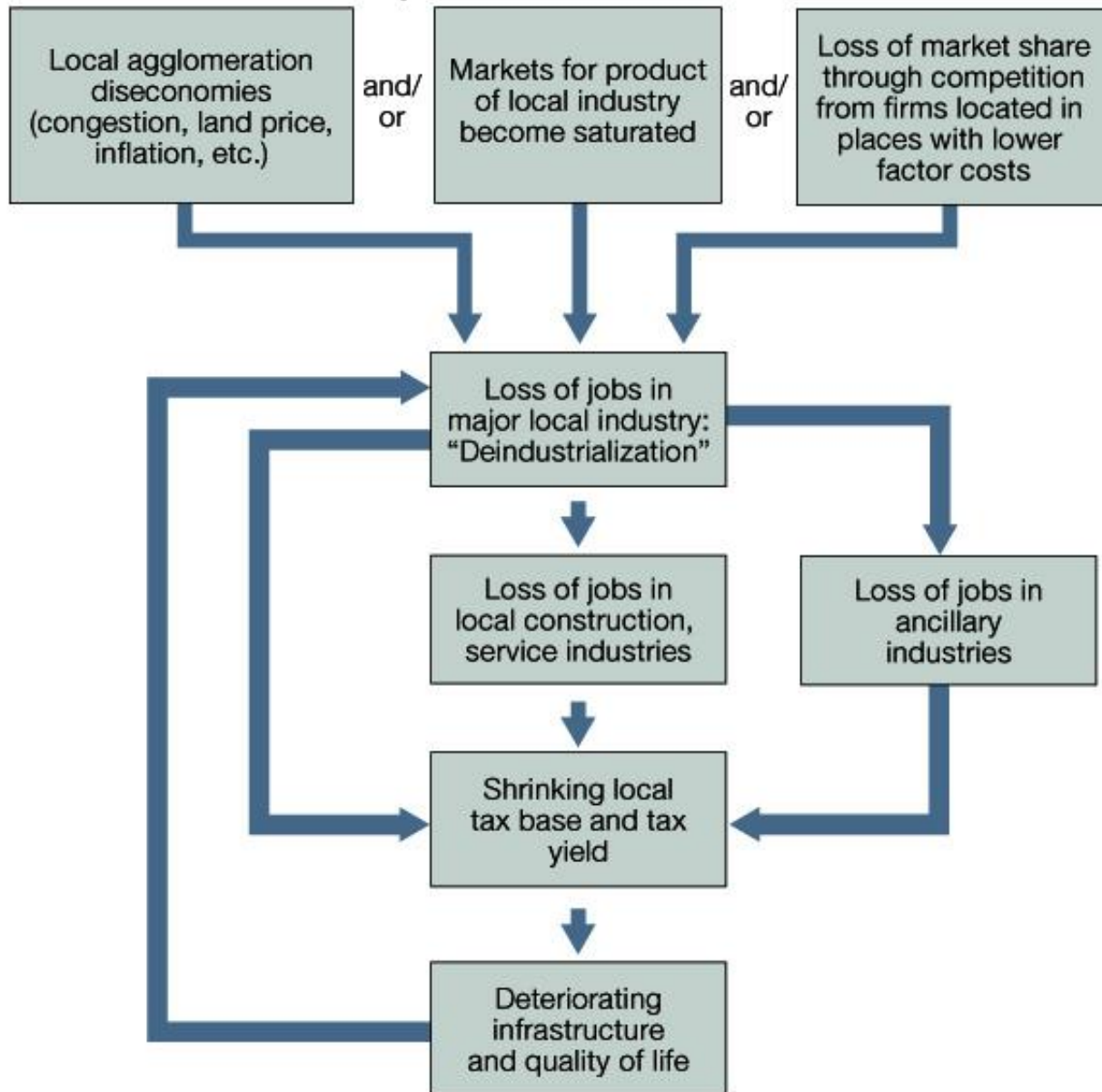
## US economy by industry (x1000)

	<b>1970</b>		<b>1980</b>		<b>1990</b>		<b>1998</b>	
<b>Total Employed</b>	78678		99303		118793		131463	
<b>Agriculture</b>	3463	<b>4%</b>	3364	<b>3%</b>	3223	<b>3%</b>	3378	<b>3%</b>
<b>Mining</b>	516	<b>1%</b>	979	<b>1%</b>	724	<b>1%</b>	620	<b>0%</b>
<b>Construction</b>	4818	<b>6%</b>	6215	<b>6%</b>	7764	<b>7%</b>	8518	<b>6%</b>
<b>Manufacturing</b>	20746	<b>26%</b>	21942	<b>22%</b>	21346	<b>18%</b>	20733	<b>16%</b>
<b>TCPU</b>	5320	<b>7%</b>	6525	<b>7%</b>	8168	<b>7%</b>	9307	<b>7%</b>
<b>Wholesale</b>	2672	<b>3%</b>	3920	<b>4%</b>	4669	<b>4%</b>	5090	<b>4%</b>
<b>Retail</b>	12336	<b>16%</b>	16270	<b>16%</b>	19953	<b>17%</b>	22113	<b>17%</b>
<b>FIRE</b>	3945	<b>5%</b>	5993	<b>6%</b>	8051	<b>7%</b>	8605	<b>7%</b>
<b>Services</b>	20385	<b>26%</b>	28752	<b>29%</b>	39267	<b>33%</b>	47212	<b>36%</b>
<b>Public Administration</b>	4476	<b>6%</b>	5342	<b>5%</b>	5627	<b>5%</b>	5887	<b>4%</b>

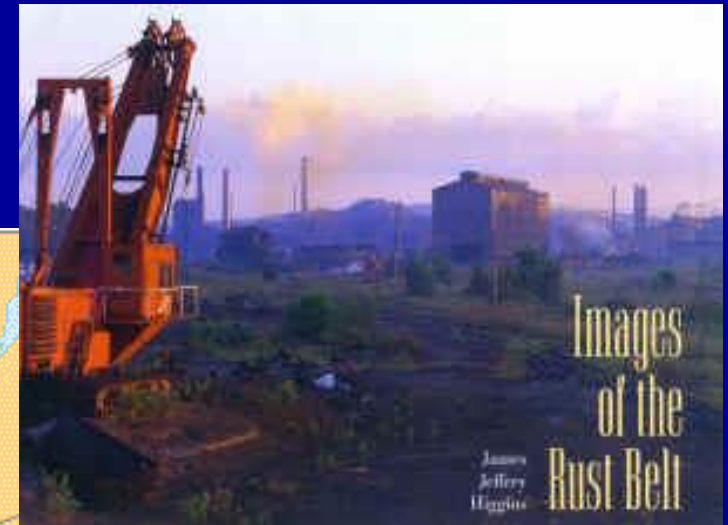
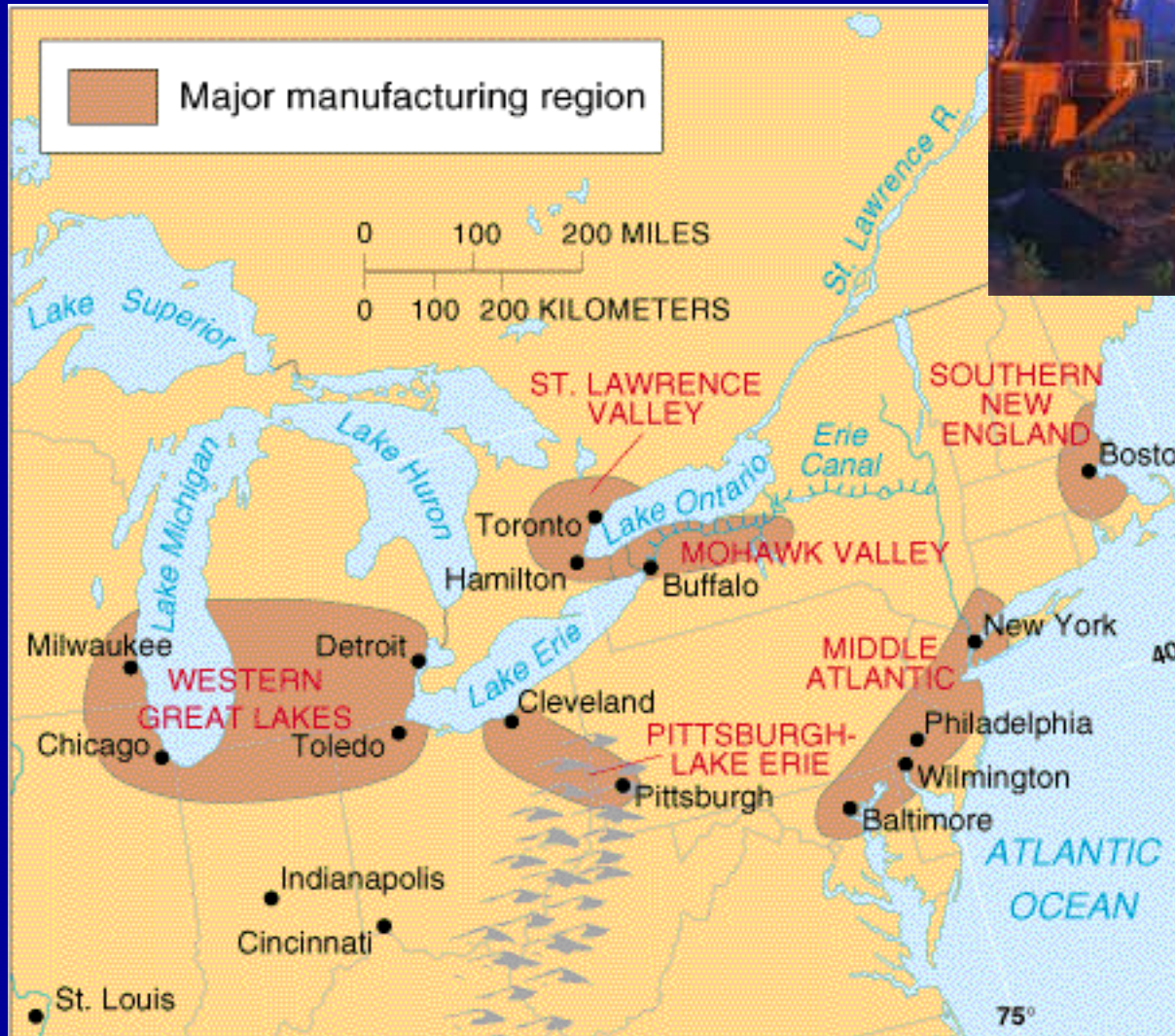
*Source:* U.S. Bureau of Labor Statistics

*From:* U.S. Census Bureau, *Statistical Abstract of the U.S., 1999* (Table 678)

## The spiral of deindustrialization

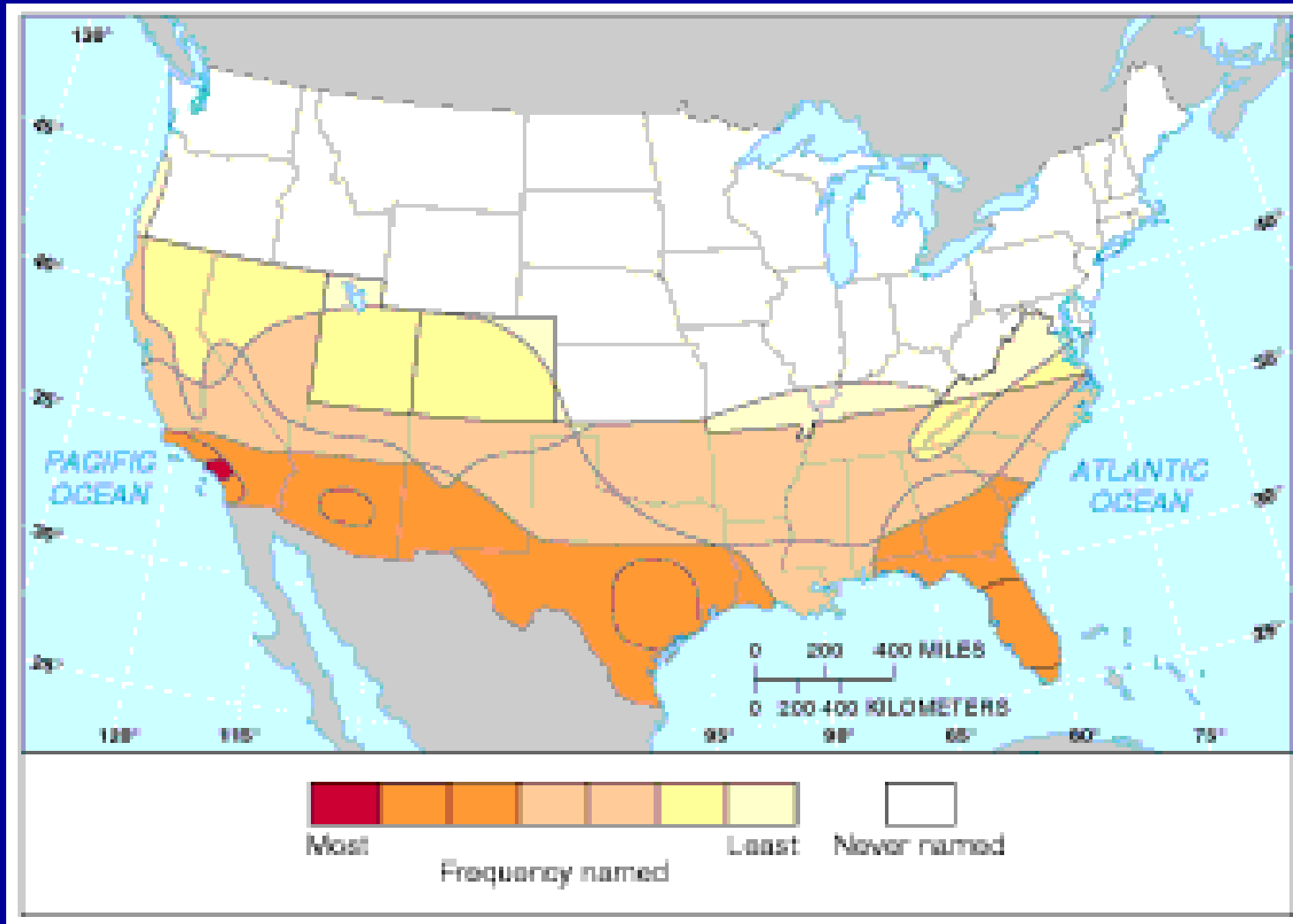


# Collapse of Rust Belt

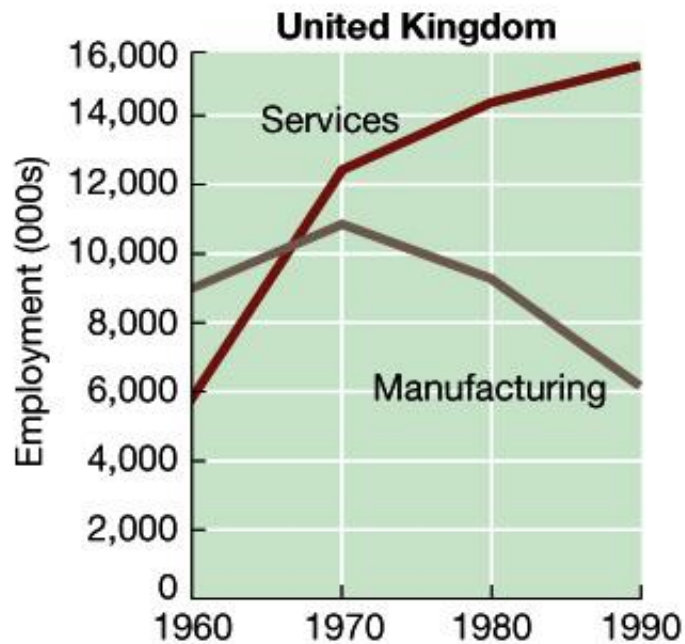


Replaced in  
Boston,  
Pittsburgh by  
high-tech  
industries

# The Sunbelt







Change in manufacturing employment in Europe, 1960–1990



Percent change in manufacturing employment, 1960 to 1990



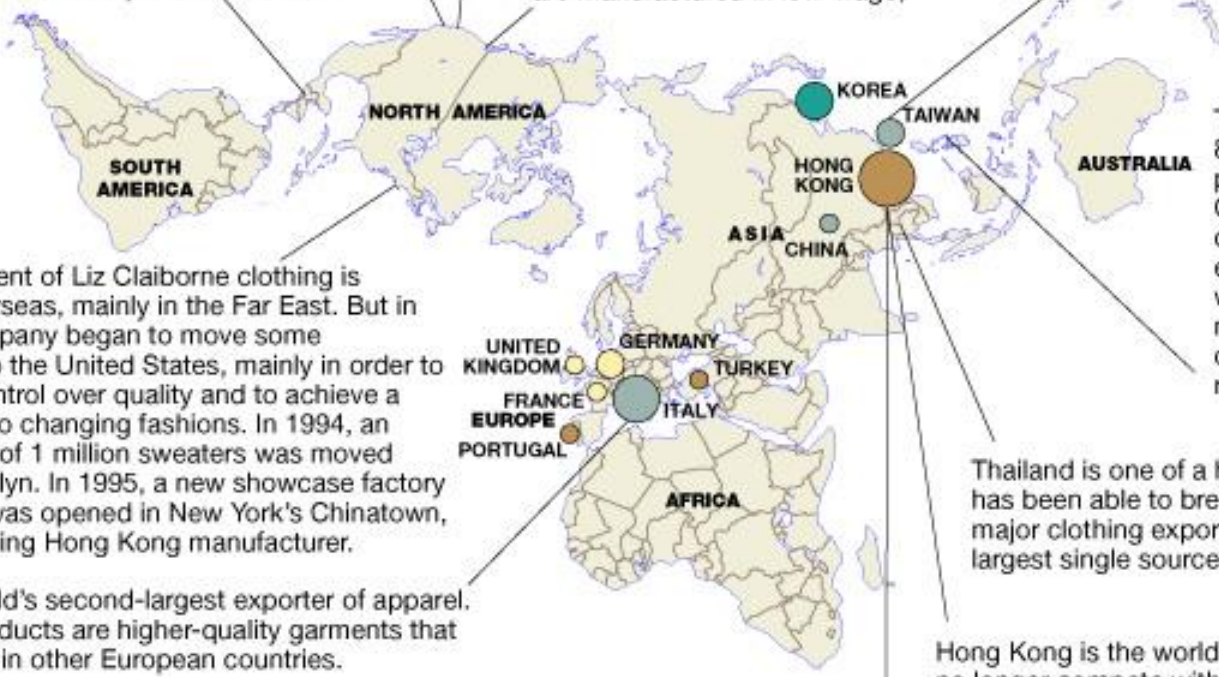
Of an estimated 120,000 garment workers in Los Angeles, about 80 percent are Latin American immigrants, mainly from Mexico, Guatemala, and El Salvador.

While Levi Strauss & Co is based in San Francisco, it has over 600 different suppliers in more than 50 countries. Since 1992 the company has kept databases to track contractors' work practices and labor relations. Levi withdrew its sourcing from China, Burma, and Peru because of its concern over violations of human rights.

The biggest buyers of Taiwanese clothing include Kmart, Wal-Mart, J. C. Penney, The Limited, and Montgomery Ward. Because of rising wage rates and labor shortages, many Taiwanese firms have established subsidiaries in Southeast Asia and the Caribbean Basin.

In 1984, the Guatemalan Congress passed legislation designed to attract investment in garment assembly. By 1998, more than 300 factories were employing more than 55,000 workers (mostly women), who assembled nearly \$400 million in garments for export to the United States.

Nike, headquartered in Beaverton, Oregon, is the world's largest seller of sports apparel, with annual revenues of over \$2 billion. Most of its products are manufactured in low-wage,



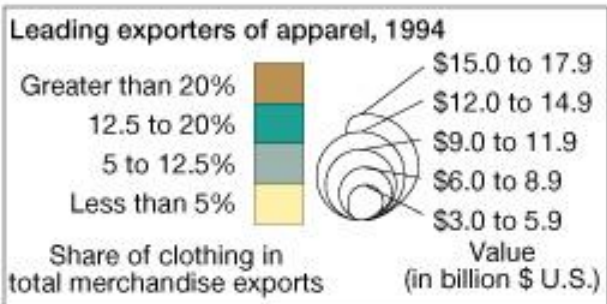
The clothing industry employs over 850,000 in the Philippines, 75 percent of whom are women. Orders from apparel companies in core countries are taken by exporting companies in Manila, who then subcontract to provincial manufacturers, who in turn farm out the jobs, all the way down to a rural cottage industry.

More than 80 percent of Liz Claiborne clothing is manufactured overseas, mainly in the Far East. But in the 1990s the company began to move some production back to the United States, mainly in order to maintain better control over quality and to achieve a quicker response to changing fashions. In 1994, an annual production of 1 million sweaters was moved from Asia to Brooklyn. In 1995, a new showcase factory for Lizwear jeans was opened in New York's Chinatown, operated by a leading Hong Kong manufacturer.

Thailand is one of a handful of peripheral countries that has been able to break into the ranks of the world's major clothing exporters. Apparel is now the country's largest single source of export earnings.

Italy is the world's second-largest exporter of apparel. Most of its products are higher-quality garments that are consumed in other European countries.

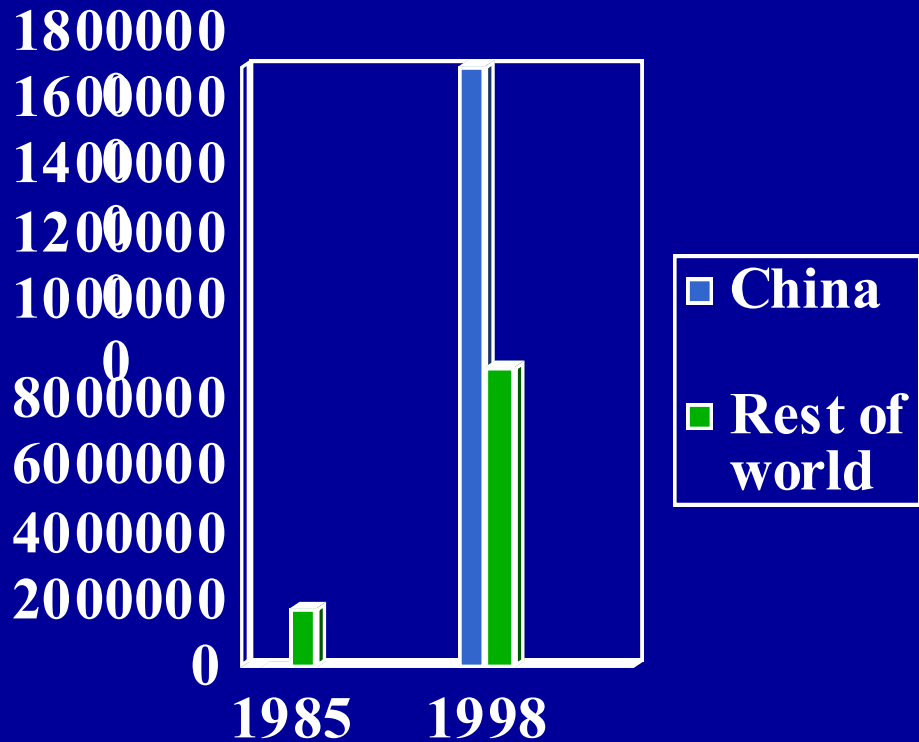
Hong Kong is the world's largest exporter of apparel. It can no longer compete with the lowest-cost manufacturing countries, so its manufacturers have gone up-market, making apparel for designer labels such as Giorgio Armani, Hugo Boss, Perry Ellis, Louis Ferraud, Calvin Klein, Ralph Lauren Ungaro, and Liz Claiborne.



Many of Hong Kong's former lower-end products are now subcontracted to manufacturers in China's Guangdong province. China provides the U.S. with 20—25% of its textiles and apparel, worth over \$7 billion a year. Another \$2 billion of shipments arrive in the U.S. illegally, having been routed through a worldwide network of dealers and relabeled in order to beat U.S. trade quotas.

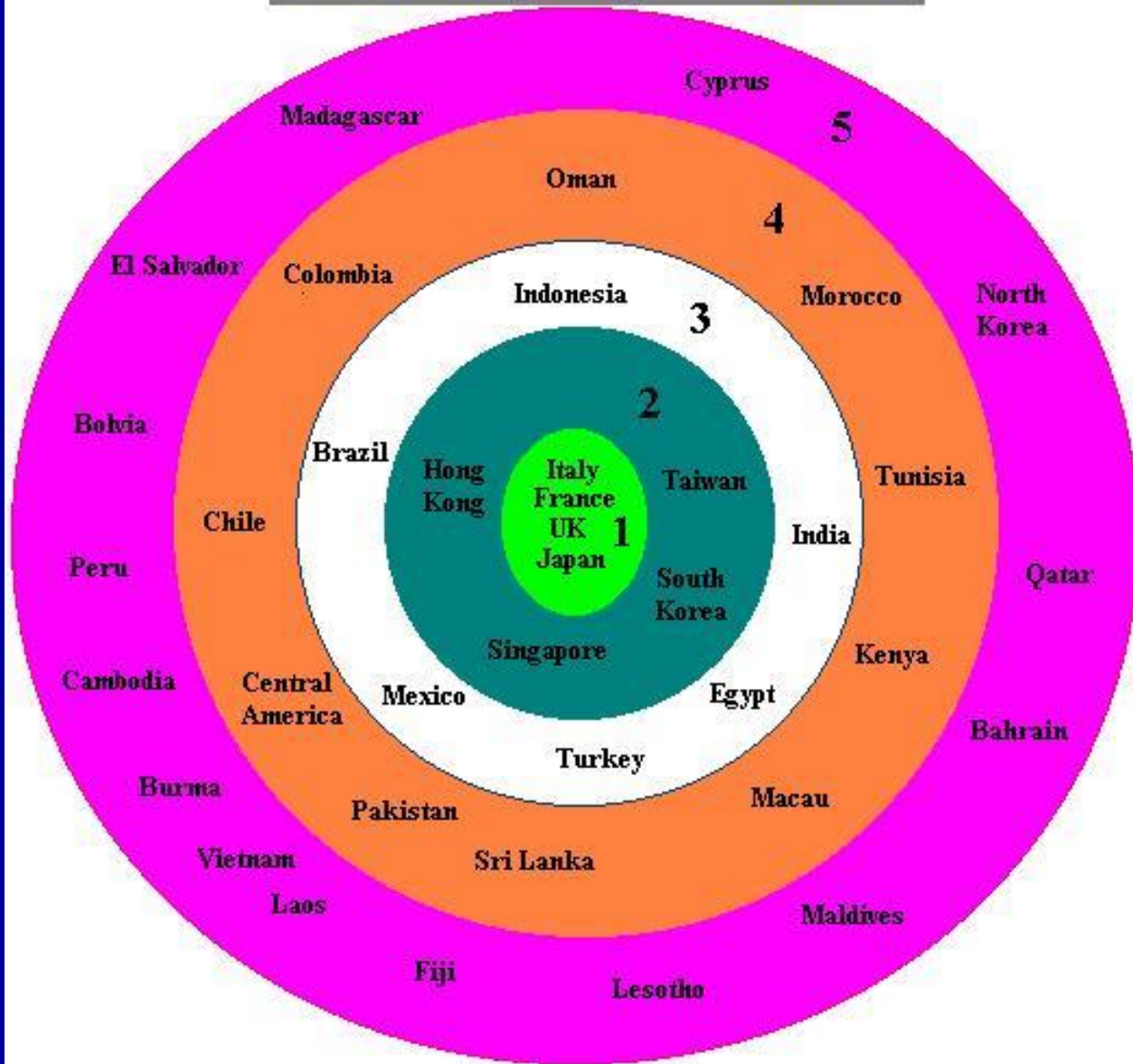


# Export Processing Zones



- Lower wages than Core
- Lower taxes
- Weaker safety and environmental regulations
- Ability to pit workers against each other, or to repress unions

**Global Sourcing by U.S. Retailers**



Fashion Stores  
(Gucci, Polo):  
1,2

Department Stores  
(Daytons, Gap):  
2,3,4

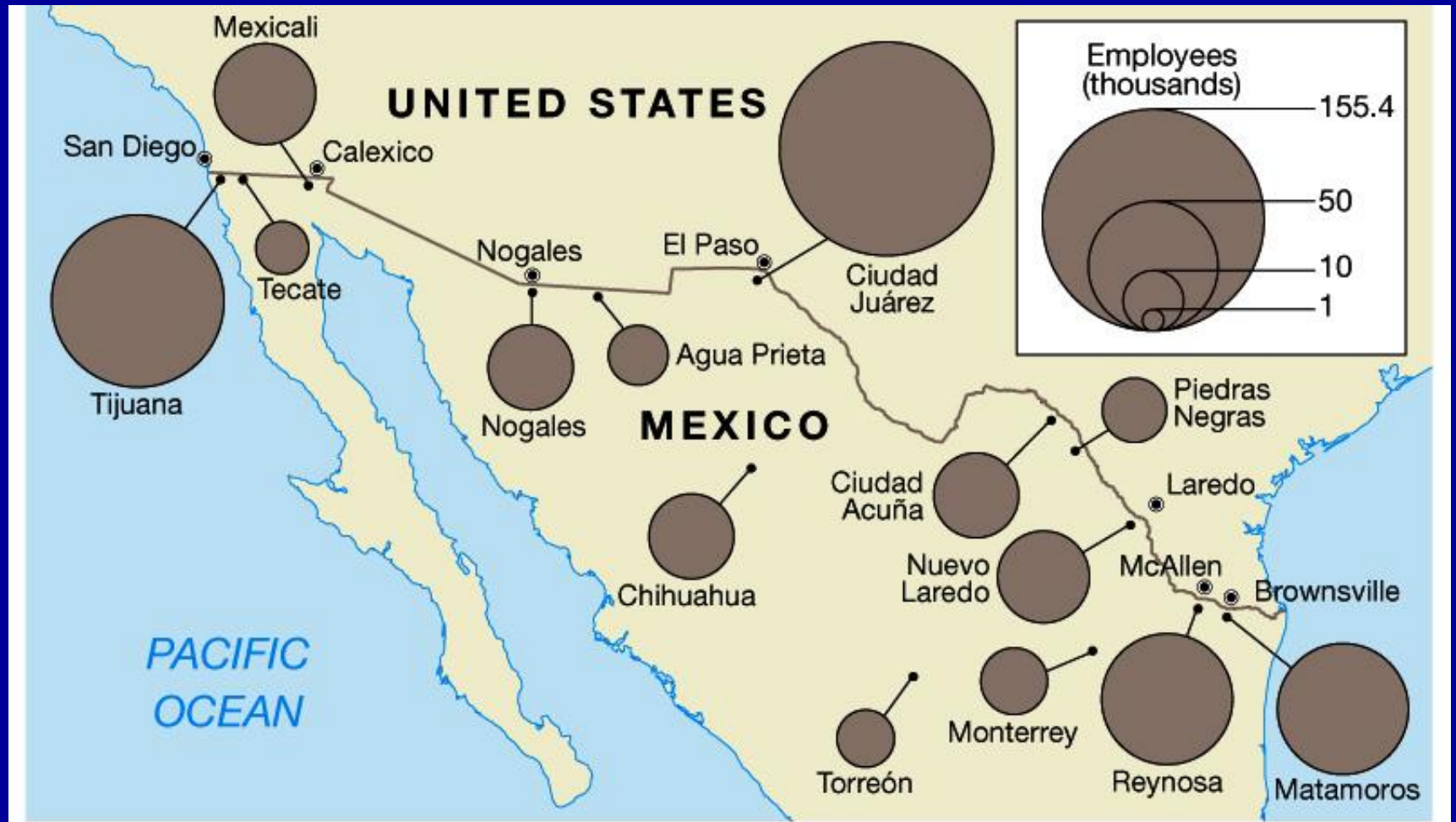
Mass Merchandisers  
(Sears, JC Penney):  
2,3,4

Discount Stores  
(Wal-Mart, Target):  
3,4,5

Small Importers  
4,5

Outer rings: later and poorer

# Maquiladoras





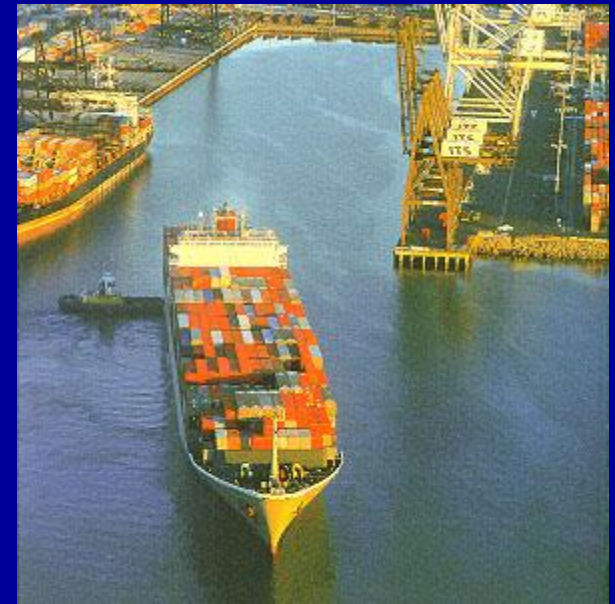
# China, the birthplace of your Nike's







# China, the birthplace of your Nike's







**Unloaded at the port of Long Beach, near LA**



**To Wholesale  
Center in Midwest  
by Rail**

**To Distribution  
Center by Truck  
and Eventually the  
Retail Outlet**



**Price: \$80 (or one month of  
wages in China)**





**YOU'RE RUNNING**  
BECAUSE YOU WANT THAT RAISE,  
TO BE ALL YOU CAN BE.  
**BUT IT'S NOT EASY**  
WHEN YOU  
**WORK**  
SIXTY HOURS A WEEK  
MAKING SNEAKERS IN AN  
INDONESIAN FACTORY  
AND YOUR FRIENDS  
**DISAPPEAR**  
WHEN THEY  
ASK FOR A RAISE.  
**SO THINK**  
GLOBALLY BEFORE YOU DECIDE  
**IT'S SO COOL**  
**TO WEAR**

**NIKE**

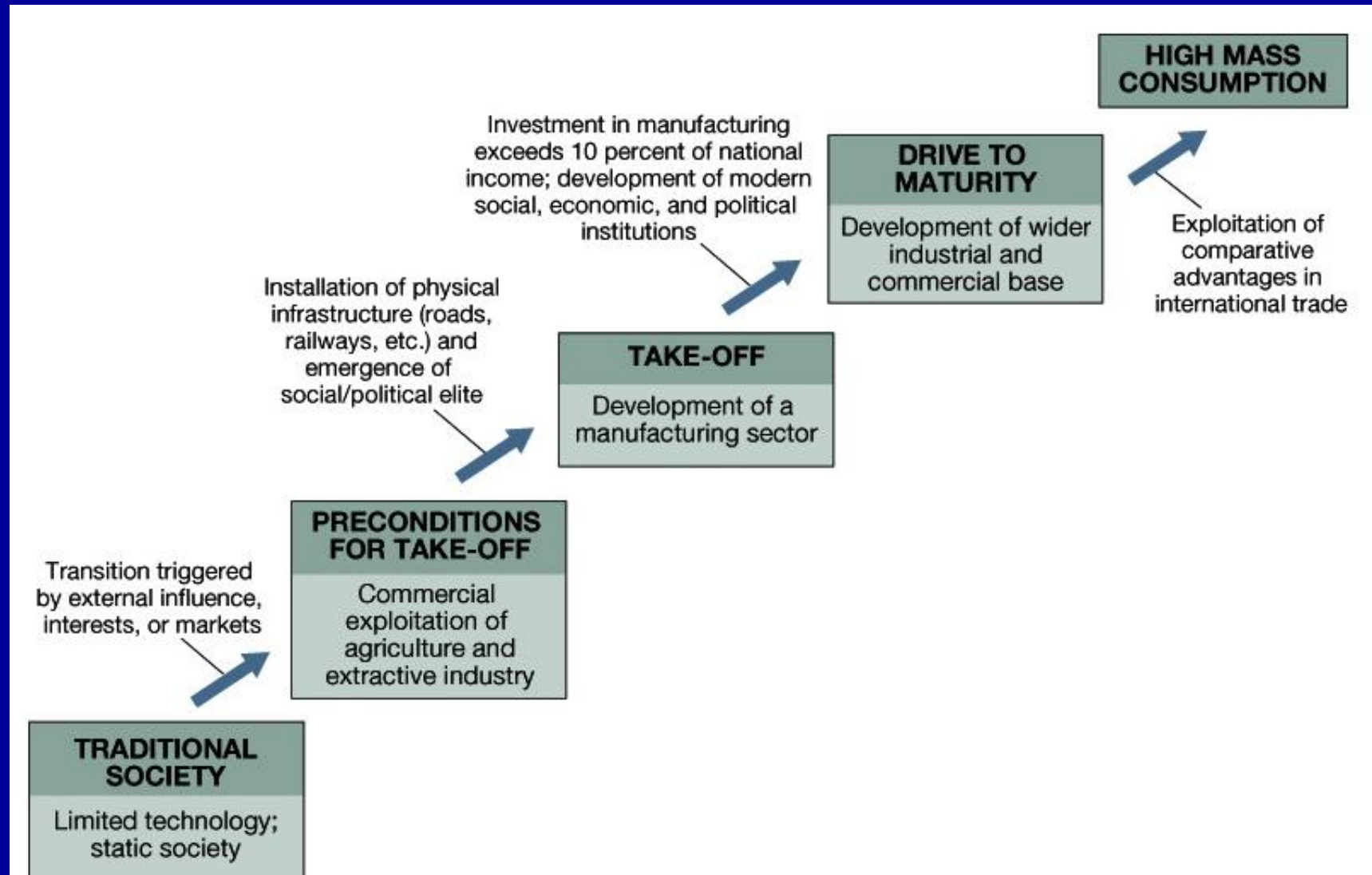




# Claims of “Developmentalism”

- “Progress” through development “stages”
- “Whole world steadily modernizing”
- “Everyone will reach high consumption”
- “Some slower than others (their own fault)”

# Developmentalism: Primary to Secondary to Tertiary....



# Problems with Developmentalism

- “Early starters” have huge advantage
- “Late starters” actively kept out of Core “club”
  - Economic structures
  - Political or military pressure
- Not enough resources, waste capacity for all

# Global wages

- Joe in Wisconsin earned \$50 a day.
- Joe lost his job to Maria,  
who earns \$10/day in Mexico.
- Maria's wages are kept low because  
Xiao works for \$2 a day in China.

# Race to the bottom

- Pressure for Core industrial wages and taxes to drop.
- Pressure for Core regulations to be weakened
- WTO allows companies to challenge protective rules.



# “Free-Trade Fix”

1. Make the State a Partner
2. Import Know-How Along With the Assembly Line
3. Sweat the Sweatshops , but Sweat Other Problems More
4. Get Rid of the Lobbyists
5. No Dumping
6. Help Countries Break the Coffee Habit
7. Let the People Go
8. Free the I.M.F.
9. Let the Poor Get Rich the Way the Rich Have

# Alternative: Share skills and technology



Assembly of cheap radios  
developed Japan's economy

# Alternative: Protection for Periphery markets



Allow tariffs on Core imports;  
Cut duties on Periphery exports.

# Alternative: Consumer choices



Purchasing “Fair Trade” products from small, chemical-free farms in the Periphery

[www.GlobalExchange.org](http://www.GlobalExchange.org)



# Alternative: Consumer action



Students pressure universities to sign on to Workers Rights Consortium, to ensure that college apparel is not made in “sweatshops”

<http://www.workersrights.org>

<http://www.people.fas.harvard.edu/~fragola/usas/index.html>



# Alternative: Microlending to people



“Banking for the poor” to empower small business and agriculture (Grameen Bank)

# Alternative: Keeping resource profits



Jamaican bauxite  
(aluminum) owned by  
Canadians, Europeans

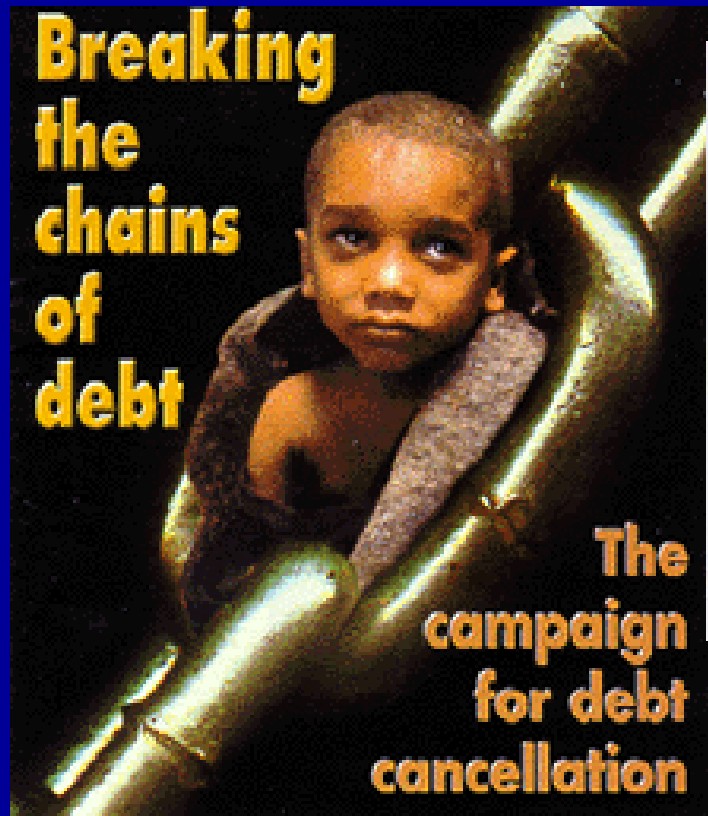


# Alternative: Global linking of labor unions





# Alternative: Forgive Periphery's debts



## Debt-for-Nature Swap

# Ironies of economic globalization

- Supposed to help everyone progress
- Rules written by and for elites
  - Only benefiting some Core and Periphery citizens
  - Widening gap between Core and Periphery.