

Section 1

The History and Culture of Value Addition Chains

The first section of the thesis concerns itself with the historical and cultural perspectives on value chains. Is a value chain about the linking together of select geographies? What is the history of such a phenomenon? In common understanding, the ascendancy of Southeast Asia has been driven by its participation in global or regional value chains. From within the region, no nation can be singularly conferred with ascendancy while ignoring the others; they are the Asian tigers, rather than a singularly Korean or Thai or Indonesian one. In a sense, its ascendancy is a collective one. So more particularly, what is the history of the rise of nations riding the wave of collective growth?

Going further, the formation of value chains (in Southeast Asia as elsewhere) is as much a cultural phenomenon as economic. The value chains in Southeast Asia are not producing commodities that are emerging out of local culture and this overwhelmingly remains the case across the region. Apparently, there are several seemingly non-cultural processes involved in making of a material culture symbol and which remain geographically dispersed, resulting in a large number of nations backing this cultural end-product. This research probes the channels for the global spread of material culture, and argues how the underlying forces are as much cultural as they are economic. It also provides a theoretical framework which gives insights into what product would be more prone to value chain formation.
Chapter 1

The Logic Behind a Sequence
Interpreting Economic Histories from a Geographic Lens

Abstract:

Should the study of economic ascendancies be restricted to a sequencing of the rise of nations over time? Such a chronological emphasis sidelines the geographies involved, and the spaces integral to a nation during its ascent. In this paper, we argue that this geographic dimension is the key to understanding ‘individual’ and ‘collective’ rise of nations; a differentiation that gets blurred when spaces are assumed constant. We seek to establish how geographies create the very paradigms in which ascendancies have emerged. For this purpose, we create an alternative framework that factors-in the impact of global spatial rearrangements on ascendancies. The temporal-historical sequence of the rise of nations remains the same. But using geography as a tool, we try to deduce the logic behind such a sequence. In other words, why it happened the way it happened?

The values of certain pairs of conjugate variables cannot both be known with arbitrary precision.

That is, the more precisely one variable is known, the less precisely the other is known. Taking the Heisenberg uncertainty principle from quantum physics as an analogy into the interpreting of economic histories, particularly of ascendancies, we have a similar situation between the variables of space and time.

‘Economic ascendancy’ is rooted in (a) time, the independent variable that charts the years when a nation’s growth became conspicuous and (b) the space/geography (city-states, nations, regions) where this occurred. Studies of economic ascendancies however, are predisposed to time, laying emphasis on constructing the time-frames of a nation’s ascent; rather than highlighting the geographies involved that were partaking (fully or partly) in this growth, assuming them to be constant. This echoes of Foucault’s argument of how space, over history, has consistently been playing second fiddle to time in our epistemologies.

“Space was treated as the dead, the fixed, the un-dialectic, and the immobile. Time, on the contrary, was richness, fecundity, life, dialectic. For all those who confuse history with the old schemas of evolution, living continuity, organic development, the progress of

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1 A paper based on this chapter titled ‘Is there a twist in the tale? Reinterpreting economic ascendancies through the geographic lens’ has been refereed and accepted for publication as a Special Article in the Economic and Political Weekly. It is expected in a forthcoming issue.
consciousness or the project of existence, the use of spatial terms seems to have the air of anti-history. If one started to talk in terms of space that meant one was hostile to time” (Foucault, 1980).

But spaces have not been constant after all, at least in terms of the nationalities they have represented. The historical reorganization of spaces/geographies (the colonial consolidations, post-colonial splintering of boundaries) has been making space as much an evolving variable as time. Spatial fluidity of nationalities has been instrumental in our perceptions of nations and maps. If we consider the hypothetical (politically incorrect) example of Japan retaining its Southeast Asian annexations of World War II, what would have been the nature of growth ascribed to the region in the ensuing years? Would the ‘flying geese’ model still be validated, or would it have been subsumed under a sweeping statement of ‘Japanese’ growth?

Embedded in the understanding of space, we also have the ‘individual’ and ‘collective’ journeys towards economic ascendancy. Colonizers like Britain or France could be termed ‘individual’ nations. But at the same time, they were a collective, or more precisely, at the helm of a ‘collective’ of widely spread, geographic territories. The rise of countries like USA or Germany was more on ‘individual’ lines than say colonial Britain. The post-War rise of Southeast Asia has been of ‘individual’ nations that have risen ‘collectively’. The sequencing of economic ascendancies (see Kindleberger, 1996) however, does not make any attempt at factoring this geographic differentiation in the rise of nations.

In this paper, we seek to establish how geographies have played a role in the creation of the paradigms in which ascendancies emerged. For this purpose, we create an alternative framework that factors-in the impact of global spatial rearrangements on ascendancies. The temporal-historical sequence of the rise of nations remains the same. But using geography as a tool, we try to deduce the logic behind such a sequence. In other words, why it happened the way it happened?

**The geographic lens to economic ascendancies**

Before chalking global ascendancies, the fine print should mention that such an exercise would not have been possible a few hundred years ago. Its feasibility would have been blunted on account of spatial discontinuities as well as lack of consistency between geographies and nationalities.

Firstly, *global* ascendancies could not have been constructed out of discrete spaces. In a pre-colonial distribution of the world economy, understanding of geographies beyond Asia and Europe were still in a formative stage; a process that got expedited in the later centuries with the
wave of explorations. Such a spatial discontinuity would make the study of a global ascendancy a post dated activity, involving the placing of discrete, geographic units in a comparative framework and then conferring ascendancy to one of them.

The next limitation arises from the inconsistencies between geographies and their representative nationalities. For example, when Venice and Genoa are referred as Italian city-states on the ascent, it has a certain anachronism (ibid). They were independent (non-Italian) territories competing among themselves and these have to be perceived as such; rather than thrusting a later identity upon them. Similarly, the boundaries of Britain corresponding to its ascendancy are altogether different to what they were before and what they are now. Referring to Britain in a historical/geographic sense as an ‘Empire’, but in a narrow economic sense, conferring ascendancy on the British Isles alone undervalues the contribution of the colonies to this ascent. While conferring ascendancies to certain nationalities, there is a need to be consistent in terms of the geographies integral to them.

With this understanding, we now move to the organization of geographies to understand how an ascendant nation emerged and in what geographic contexts. Here, we introduce the categorization of nations into ‘individuals’ and ‘collectives’. For a starter, an ‘individual’ is a geographically continuous entity while a ‘collective’ is scattered over disjointed spaces. These initial identities are not rigid though and their characteristics have been altering over time (as seen later). We argue that the rise or ascendancy of nations needs to be analyzed in terms of geographically ‘individual’ or ‘collective’ efforts to achieve that status. The grid below would enable the incorporation of different geographic/ spatial paradigms in which nations have grown.

**Table 1: The geographic grid for nations-competitors in ascendancy**

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<thead>
<tr>
<th>The geographic status of competitor nations</th>
<th>The geographic status of an ascendant nation</th>
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<tr>
<td>Individual</td>
<td>Individual</td>
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<tr>
<td>Individual</td>
<td>Individual vs. Individual (1)</td>
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<td>Collective</td>
<td>Collective vs. Individual (2)</td>
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What was the spatial nature of a pre-existing ascendancy in the face of which a new one emerged? For this, the grid provides the geographic lens to view the kaleidoscope of ascendancies. Every new ascendance rode on the wave of altered geographic equations, and the grid registers the critical thresholds where the contexts shifted.
Individuals vs. Individuals:

Starting with the primitive world – a *spatially discontinuous* set of regions, with geographical insulations to exchange of information; the understanding of ascendancies too becomes discontinuous. The term invariably implies something that is localized in nature. Multiple ascendancies could simultaneously exist with marginal or no knowledge of each other, and therefore not impacted by each other. For Alexander (as taught by Aristotle), the Hindukush mountain-ranges signified the end of the earth landmass and the beginning of the Ocean (O’Brien, 1994). This example is antiquated, but illustrates how it was ages before a better geographic sense of the world emerged. Over time, Asia and Europe came within the zone of familiarity but the ignorance then spread to other territories. Krugman cites beautifully of such a case (although in a different context), of how maps on Africa even in the 18th century were an eclectic mix of facts and fiction before further light was shed on the Dark Continent (Krugman, 1997).

How would ascendancies get formed in such spatial discontinuity? What would be the dynamics of it? There were several regions separated by a certain spatial vacuum. Within each region were several feudal states, each characterized by their distinct socio-cultural, economic identities. The term 'individual vs. individual' therefore comes to imply an *intra-regional, inter-state* competition, giving the tussle for ascendancy a distinct local fervor. In a geographic sense, the competitors would be among immediate neighbors or would fall under a circle of geographic proximity or awareness. Such was the case in Asia and Europe, where the landmass was splintered across several clusters of kingdoms. Not surprisingly, the initial ascendancies were conspicuously from these regions. Civilizations elsewhere did not fall under consideration for ascendancies until those respective places were discovered.

Here, the period of reference spans an enormous stretch of time stretching backwards from the start of colonization till the very early settlements and notions of nation formations. It also coincides with the predominance of agriculture and artisanship within economies. The rise of a small state would be backed by internal wealth creation on these fronts; but with their own limiting factors for expansion. Spurts in agrarian capacities, for a long time in history, had a strong element of increase in acreage rather than improving productivity (like with advent of technologies much later). Land annexations were a lucrative motive to augment existing capacities. Distant productive capacities wouldn’t be of much help here; they may not be known at all or logistically beyond bounds. Initial expansions therefore, had to be *limited to productive capacities in immediate geographic proximity*. This was to change eventually (with colonization), when proximity was no longer a pre-requisite for external productive capacities to be tapped.
At this juncture, we introduce the two extremities of ‘customary economy’ and ‘command economy’ that Hicks discusses in ‘The Theory of Economic History’ (Hicks, 1986). At one end of the spectrum is a purely customary economy characterized by a primitive, traditionally defined set of internal economic relations; the other extreme being a belligerent, hierarchically-organized command economy. While Hicks applies these terms only in case of non-market based economies, there is a strong case for extending them to later market economies as well. For a starting premise, the command driven ‘individual’ economy would be more outwardly oriented, its access to produce routed either through periodic plunder or annexations. For a customary economy, its continuation would hinge on remaining isolated and beyond the bounds of a command one. In a confrontation, the survival of a customary one would depend on how swiftly/efficiently it can organize itself into a command economy. Therefore, the spatial distribution of such extremes or relative extremes becomes vital, and needs to be placed in conjunction with the spatial discontinuities of early feudal agglomerations. Historically, where annexations were routed through land, a typical pattern of spatial distribution between customary and command economies could be discerned. A command economy would not be spatially bordering with an altogether customary one; there would be other economies encircling it, that may be also command driven although to a varying degree but not entirely customary/primitive. Had it been the case, they would have been long overrun by their more aggressive neighbor.

Reconsidering the primitive spatial distribution, with several scattered clusters of small ‘customary’ economies; the equilibrium in each cluster would be disturbed if one of the states would progress to a ‘command’ system. Its immediate endeavor would then be to amalgamate its surrounding customary economies creating a larger ‘individual’ state. Consequently, a localized ascendancy would already get established in the process. A similar ascendancy may be already underway somewhere else. Having established itself within its native cluster, the further expansion of the large, integrated ‘individual’ state would be determined by its capacity to overcome two distinct geographic impediments to reach out to other clusters.

Firstly, it would have to transcend the spatial vacuum insulating another cluster of states elsewhere in another region. Having done so, if it were to run into a series of customary economies; it would absorb them. A much larger individual state would emerge from this quest; increasing the geographic span of the kingdom and making the landmass continuous. However, if they confront another command driven ‘individual’ state, a stalemate would ensue. The landmass would still become continuous; albeit divided such that there are two ‘large’ command driven economies sharing boundaries. The ‘individual vs. individual’ terminology then comes to signify inter-regional, inter-state competition.
Militarily, this stalemate would get broken if either of them were to weaken, creating possibilities for further annexations. This was often the case, culminating in a long-drawn process shaping geographies; when nationalities got periodically created, dissolved and created again. But alternating between these cycles of war and expansion, the intermittent hiatus would be of relative peace. With spatial continuities having set in, conditions would be favorable for reaping economic benefits from cross border exchanges in the form of trade. The Silk Route that connected Rome with vast territories of the Orient was one such manifestation.

“For a period of forty years in the late first and early second century A.D., the silk route was almost consistently peaceful along the whole of its length from North China to Rome, and conditions for trade were altogether more favourable than they had ever been before or were ever to be again until the establishment of the Mongolian Empire. Not only were China and Rome themselves enjoying prosperity but for the first time, only two states lay between them, and these were powerful, commercially-minded states; Parthia and Kushans” (Thorley, 1971) italics ours.

This justifies our argument on the importance of spatial continuities, especially when resulting out of ‘larger’ formidable kingdoms in simultaneous ascent. If one of the kingdoms along the way were to decline, it would destabilize the chain of exchanges. But while they persisted, the prospect of cross border exchanges gave rise to a new paradigm of ascendencies - the trading centers or the nodal-points for exchange. Several places flourished along the Silk Route by virtue of such distinction. A new breed of trading economies came into existence; in addition to the already existing agriculture-surplus centers. Not surprisingly, the threat of annexations loomed large on both of them.

Much later, Venice and Genoa too emerged on similar grounds; by being hubs of exchange for exotic goods between Western Europe and the East during eleventh and twelfth centuries (Kindleberger, 1996). For ‘individual’ states on the rise, the domestic sectors contributed the bulk of wealth generated. Trade was a good complement but was not to supplant internal drivers. The transit economies added a new dimension to the ‘individual’ by engaging in trade for sustainable growth, characteristics that align them more with the later ‘collectives’ to which they were precursors.

The second limitation for expansion of larger ‘individual’ kingdoms resulted from another geographic hurdle; the landmasses being split asunder by vast expanses of oceans. A map of the Roman Empire at its peak around 117 A.D. (Cameron and Neal, 2003) would help us visualize this better. On the eastern frontiers, it had stretched right up to the Parthian borders (a large powerful ‘individual’). Westwards though, it had overrun across large tracts of mainland Europe when it ran into a powerful adversary –the ocean. The oceanic vacuum was to remain intact till centuries after, when the explorer-nations emerged. They were the ones who took over
the mantle of trade as the driver for internal growth, previously the prerogative of the individual ‘transit’ economies.

**Collectives vs. Individuals**

All along the previous section, we have refrained from using the term ‘collective’ state. Not that such a concept was non-existent. The very idea of a larger ‘individual’ state would crystallize only from the amalgamation of several small to medium sized states and therefore, technically speaking, it was a collective of them. The assimilation could be an absolute one wherein the identity of the smaller states may get wiped out entirely, or partly retained in a vestigial manner. In case the assimilation is an incomplete one, there were chances of the smaller states claiming independence, thereby becoming smaller ‘individuals’ again. But so long as the larger state fused them together into a whole, the boundaries became continuous and remained so. This creates reservations for using the term ‘collective’ in such cases, and we argue that its classification as an ‘individual’ remains more appropriate.

Stretching back a long time in history, the creation of larger ‘individual’ kingdoms was inconsistent with spatial discontinuities. In other words, they had to necessarily emerge out of spatial continuities, which would happen only by aggressing or assimilating neighboring, independent territories. *The conceptual possibility of a larger kingdom or empire as an aggregate of discrete, geographically disjoined units came only with colonization.* The term ‘collective’ that we are using here refers to such a geographic arrangement wherein a particular state annexes and rules widespread territories, breaking away from the prevailing norm of spatial continuities as a pre-requisite for a larger state.

From the starting position of individual states competing among themselves for ascendancy, a selective few progressed to form ‘collectives’ thereby altering the equilibrium of competition for ascendancy among states. This trend started with the initial drive of exploration-colonization by certain European states, and resulted in a large scale *reorganization* of geographies. By re-organization, we imply the issue of ‘who staked claim to what territories’, and how nationalities of *disjointed* geographies redrew the global political and economic landscape. This had serious implications in terms of assigning nationalities to the process of ascendancies.

Reverting back to the concluding arguments of the previous section, the oceanic barrier was insurmountable for the initial ‘individual’ kingdoms, even when in ascendance. This limitation became passé once the ability to move across the oceanic vacuum was acquired through explorations. *Naturally then, the states which took the lead in generating this pan-oceanic capacity of movements were the ones that redefined the paradigm of ascendancies.* They
surpassed the oceanic barriers, and in the process staked claim to land that could remain isolated only contingent to the ocean barrier remaining intact. Mancke write of how “the politicization and militarization of the oceanic space, as much as its globalization, distinguished European oceanic expansion from other seafaring peoples” (Mancke, 1999). This turn of events caused a de facto sideling of states still engaged in land routed annexations and expansions for growth. Not that they had weakened or stagnated; there still continued to be (economically) powerful ‘individual’ kingdoms but the quest for ascendancy had now acquired a new connotation that by-passed them. Territorial expansion (through military aggressions) as the means for economic ascendancy continued to be the overwhelming prerogative; simply that now it had assumed the form of contesting for distant geographies unlike in the ‘individual vs. individual’ tussle for neighboring lands.

The oceanic ‘vacuum’ as an impediment for exchange of information was responsible for the great divide that persisted across cross-continental command economies and customary economies for a long stretch of time in history. Once cross-oceanic movement became established, it enabled the former to directly come in contact with customary economic systems prevailing elsewhere. The confrontation of the British versus aborigines in Australia and the Pacific islands, or the Europeans versus natives in America and Africa were examples of such extremes colliding into each other. We can discern a direct clash of interests between the prospective colonizing parties and the indigenous population for land control; where the latter were eventually overrun. The clash was not necessarily between the extreme types. From an excerpt of British conquests in India, we can gauge such a case:

“To comprehend the campaign at Trichinopoly, and indeed later in Bengal, it is necessary to understand the nature of the colorful, shambling circuses that were the Indian armies of the time. ... The forces of an Indian prince much more nearly resembled a traveling township than an army” (Harvey, 1998 as quoted in Basu, 2003) italics ours.

To put into perspective the local princely forces characterized as traveling townships, they were not entirely customary in nature. But at the same time, they hadn’t evolved to being at the same level of command and organization as their opponents. Resulting from the fact that the enemies were completely unfamiliar, the extremely or relatively customary systems didn’t have adequate mechanisms incorporated into their traditional guidelines for combating them. This made it all the more easier for the command driven systems to annex them. This was in contrast to ‘individual vs. individual’ aggressions, wherein by this time, the boundaries had been formed with familiar, equally command driven systems on either side.

The colonizers circumvented land routes, and in the act of doing so, also avoided possible collisions with other command economies that lay along the way. Nevertheless, an indirect clash of interests across several competing colonizing powers was unavoidable; making the process of
colonization frictional. The ascent of one of them would amount to a corresponding decline of the others. From this premise, we can better comprehend the multiple clashes between several colonizing powers on ‘unclaimed’ third party lands or for wresting control of an already ‘claimed’ one. In the North Americas, it was between the British and French, in South America it was between the Portuguese and Spanish, in Asia, there were the British, Portuguese, French and Dutch; in such a quest for the ‘unclaimed’, or at times, for the ‘claimed’.

Ascendancy through colonization (similar to earlier ‘individual’ ascendancies) could be conflated with political control of the annexed lands. As a corollary, it also meant claiming the productive assets (land and natural resources) and capacities (labor) they held within their folds. But considering that the colonizing powers managed to acquire or annex discretely placed lands or diversely endowed geographies; it gave rise to prospects of creating aggregate comparative advantages for the colonizers that pooled together diverse, regional comparative advantages of the colonies. The opportunities that were availed (euphemism for exploited) were enormous by all accounts; the following text only gives a fleeting glimpse of it. In the continents of Africa, North America and South America, “the colonists created towns in New England, plantations in Brazil and Virginia, trading posts in Africa, and towns, haciendas, and mining settlements in Mexico and Peru. From Africa they exported slaves, ivory and spices; from Mexico and Peru, gold and silver; from Brazil, wood and sugar; and from Virginia, tobacco” (da Costa, 1985).

Within the framework of colonization, the first wave of ‘collective’ ascendants comprised Portugal and Spain, the mercantilists. In a succinct outline of the economic philosophy that got promoted in the process, it was the government’s concern to “obtain and to retain for the nation both a favorable trade balance and an adequate stock of gold and silver. To this end the state should help to build up a national merchant marine and should foster domestic manufacturing industries. The chief means of procuring raw materials, a favorable trade balance, and an ample supply of the precious metals was that of exporting high-priced manufactured goods and shipping services” (Nettels, 1952) italics ours. To what extent were the Spanish and Portuguese colonial empires fitting into this model of mercantilism in all its manifestations? Of the several clauses, ‘favorable trade balance’ and ‘ample supply of precious metals’ can be easily substantiated in their case. For the Castilian economy that rose to prominence through such a contrivance:

“The most highly prized of imports from America-which included dye stuffs, pearls and sugar- were, of course, gold and silver……..the production of silver far outran that of gold and over the 160 years from 1503 and 1660, some 16,000,000 kilograms of silver arrived at Seville (from the New World) – enough to triple the existing silver resources of Europe – as against 185, 000 kilograms of gold, which increased Europe’s gold supplies by one-fifth” (Elliott, 1963) italicized text ours.
But over a period of time, even as late as introduction of ‘free trade’ (1782-96 AD) between Spain and its colonies in Latin America, this reform “failed in its prime aim of promoting a significant alteration in the structure of the peninsular economy by means of an industrial regeneration. Instead it consolidated the traditional pattern, whereby Spain supplied the American market from its own production with wines, spirits and agricultural goods, but continued, despite some industrial growth, to meet a substantial part of colonial demand for manufactures by re-exporting foreign products" (Fisher, 1998: 461) italics ours. In a matter of few decades after this (by the 1820s), the Spanish Americas were to become independent (Lange, Mahoney and Hau, 2006). Such a risk was inherent to a colonized ‘collective’, and manifested early in case of Spain and Portugal. The collapse of the ‘collective’ reduced them to the ‘individual’ status once again, impacting their contention to any further ascendancy.

As the nations at the helm of a geographic ‘collective’, Spain and Portugal did pool together diverse comparative advantages that the colonies offered. But their ascent rode on substantial and more importantly, direct access to the precious metals. To a certain extent, this already created the grounds for achieving the ends (acquiring gold) without pursuing the means (export of manufacturing goods) that mercantilism proposed. The later colonizer ‘collectives’ sought to emulate this acquisition of gold or precious metals with varying degrees of success. For them the means became important for achieving the ends, considering that they were yet to form colonies. The joint stock companies (the ones with the East India tag) - starting with the Portuguese, and then more successfully by the Dutch and British - sought to benefit from the huge arbitrage opportunities for trade in exotic products (pepper and other spices, indigo, tea, cotton) that the tropical parts of Orient was endowed with.

The shipping numbers across the two sets of nations are quite staggering, even as they sought different geographic directions. In case of the Spanish, “the transatlantic crossing each year varied considerably, according to the economic and political circumstances of the moment, and ranged from sixty to over hundred (ships)” (Elliot, 1963: 182) during the later half of the sixteenth century and extending into the seventeenth century, with a substantial component of bullion being part of the carry. In case of the British and Dutch East India ventures that sought their fortunes in the opposite direction, the Dutch United East Company (or VOC - Vereenigde Oostindische Compagnie) “clearly dominated shipping volume in the early East India trade, returning 65 ships to England’s 35 during 1615-25” (Steenigard, 1974 qt. Irwin, 1991); pepper being the main ingredient of trade.

So in a way, the British and Dutch sought to compensate for the lack of direct access to metal through engaging in commodities that offered large arbitrage opportunities. To gauge the extent of profits for the VOC, as referred by Irwin from several sources:
“The first two voyages earned a 95 percent profit, and net returns on early individual voyages ran as high as 230 percent. These profits arose from the tremendous arbitrage opportunity open to the company: in the 20 years ending July 1620, purchases of £356,288 worth of goods in Asia fetched £1,914,600 in Europe. This excludes transportation costs but is indicative of the markup (by a factor of five) achieved by the company. Pepper from Indonesia dominated the company's trade in both value and volume for the first several decades of the East India trade” (Irwin, 1991: 1299-1300).

These profit margins are stupendous. But they still pale in comparison with the returns on the earlier, token voyages (by the Dutch in 1598); when “four of van Neck’s ships returned with cargoes of spices in a record time of under fourteen months. The return of the other four ships sometime later enabled the accounts to be closed with a profit of 400%” (de Silva, 1974: 152). Comparing these figures, we can discern a situation wherein competitive forces had set in, gradually nibbling into the margins.

The motives or necessities for ‘collectives’ formations were increasingly manifesting themselves. In the words of Nettels, “since the mercantilist states of Europe lacked the resources for complete self-sufficiency, they could not free themselves from dependence on foreign supplies. Economic growth therefore increased the importance of external trade, and the preference for colonies over foreign countries intensified the struggle for dependent possessions” (Nettels, 1952; 105). What followed can be interpreted as a drive towards sufficiency, as also an attempt at maintaining margins. The latter colonizers resorted to making profits on the exotic goods initially; progressing to owning the lands that provided them. The Dutch took over the Indonesian islands, while the British engaged in a series of colony formations over the 17th-19th centuries (Lange, Mahoney and Hau, 2006), to be followed by the French (Balch, 1909). In this turn of events, ascendancies too changed geographies from the mercantilists to the commodity traders-colonizers.

In a way, trading risks were sought to be eliminated by gaining political control of these distant lands. But this too had its own risks. The dependant geographic possession offered the possibility of substantial, continuous access to a commodity from which the colonizer sought to benefit. But what if the commodity itself were to decline in importance? In the scheme of things, this was to form the key as to which of the colonizing ‘collectives’ were to sustain their ascendance in the longer run. As Irwin concludes in his comparative work on Anglo-Dutch rivalry in East Asia:

“By gradually acquiring territory on the spice islands of Indonesia, the Dutch succeeded in preempting rivals from the region but committed themselves to a trade that was to decline in importance in the second half of the century. Meanwhile, passive in their response to the Dutch commercial tactics and ousted from much of Southeast Asia, the English were forced to divert their trade toward India. Once established in India, the English were exceedingly-and unwittingly-well positioned to capitalize on what soon
became *the much more profitable and more rapidly growing cotton textile trade*” (Irwin, 1991: 1313) italics ours.

There is another dimension to this dynamics of sustainable ascendancy; that of ‘value addition’ across the commodities sourced from the colonies. In case of Spanish and Portuguese mercantilists, the goods obtained from the colonies were either the specie or agricultural products. Similarly, in case of the Dutch and English, the initial trade continued to be in the finished goods. Value addition in pepper and other spices were restricted; they had to be procured, and then resold either in the domestic markets or elsewhere. The profits they derived from this trade were enormous, and though they did manage some value addition in the form of “refining and distilling” (Andrews, 1915: 540), they were a consequence of arbitragies through re-exporting to their European neighbors. Moreover, such profits were concentrated in nature; the benefits getting accrued to a selective few who owned the respective joint stock firms indulging in trade. This changed with the rise of cotton as the commodity to trade, for it led to the rise of domestic ‘value adding’ industries leading to a greater distribution of wealth internally. This corresponds to the first phase of industrialization striking root in England, also giving rise to the nation singularly staking claim to world economic primacy.

“In 1750, Great Britain stood alongside Spain, Portugal, the Dutch Republic and France as just one of the five major European colonial powers. By 1850, the British overseas empire was quite unrivalled. Over the same period Britain also achieved a temporary pre-eminence as the ‘workshop of the world’ (Ward, 1994). How did this transpire, and to what extent were the two events inter-related? The response to this question needs to be bifurcated in terms of what Britain managed to do that other colonizers couldn’t emulate, viz. the scientific advancements that feed into the epoch of Industrial Revolution; and importantly in the context of this paper, how Britain managed to create greater value from the contributions of its colonies in a manner that others couldn’t.

Inarguably, the monopolized colonial possessions were of value for all colonizers, albeit in varying degrees. In case of Portugal in the late eighteenth century: Arruda writes that “if we consider only the income generated by imports received from Brazil and re-exported, the indices reach 60.6 percent of the total of Portuguese exports that could be translated into monetary resources, credit, letters of exchange, and the payments for imports. These were not insignificant sums and they were certainly responsible for the historical shift in Portugal's balance of trade with England which during the eighteenth century had, for the first time, become favorable for Portugal. …in more limited terms, thinking only of the relationship between Portuguese factories and the Brazilian consumer market--to say nothing of the strategic importance of the raw materials Brazil supplied--the monopolized Brazilian market was fundamental for the industrial
growth of Portugal" (Arruda, 2000:869). Extending a similar argument to the Dutch and their East Indian possessions, “income remitted from Indonesia represented a 1 per cent addition to Dutch domestic product in 1700, about 5 per cent from 1840 to 1870 and rose to around 8 per cent in 1921-38. From 1840 onwards this flow was the bulk of Dutch foreign income" (Maddison, 1989). Coming to the case of Britain and its colonies, even while “some of the local (Indian) fortunes were remitted to Britain in bullion and diamonds”, thereby replicating the Spanish or Portuguese in spirit; “most unilateral transfers involved since 1765 are thought to have been made in the form of Indian commodities purchased with Indian revenue². In the 1760s, the Company’s trade was explicitly organized to secure large surpluses of commodity imports into London over total exports of goods and bullion to India” (Esteban, 2007).

Thus, at one level the British altered the understanding of colonial wealth from the bullion to commodities. But going forward, they also created a new, important dimension to the understanding of commodities as raw materials in addition to being consumer products. The Industrial Revolution, an eclectic sum of new, scientific processes and operational improvisations to existing ones, was instrumental in localizing the value addition gains from cheaper colonial inputs. Britain’s ascent could be attributed in part to the greater value it managed to derive from its colonial possessions as compared with others. When Hobsbawm writes of the emergence of complementary economies in the world; the underlying reference is to the development of some nations as the suppliers of consumer agro-goods or more importantly of raw materials to the industrializing West. This phenomenon was more striking in case of Britain. To quote from his Industry and Empire:

> Several such complementary economies did develop at various times mainly on the basis of some specialized local products for which the British were the main buyers: cotton in the southern states of the USA until the American Civil War, wool in Australia, nitrates and copper in Chile, guano in Peru, wine in Portugal, and so forth” (Hobsbawm, 1999).

How such a specialization in primary products impacted the non-industrial economies in the long run was to find expression later in the works of development economists. “The tea plantations of Ceylon, the oil wells of Iran, the copper mines of the Chile, and the cocoa industry of the Gold Coast may all be more productive than domestic agriculture; but they may well be less productive than domestic industries in those countries which might have developed if those countries had not become specialized to the degree in which they now are to the export of food and raw materials thus providing the means of producing manufactured goods elsewhere with superior efficiency” (Singer, 1950).

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² To elaborate on the extent of revenues accrued to the British from its early acquisition of Bengal, the East India company got control over “taxes yielding some £ 3 million a year....By 1818, further conquests had raised the company’s Indian territorial revenues to £ 22 million....As a comparison, tax receipts of the British exchequer have been estimated at £ 10 million in 1765, and £ 63 million in 1815” (Ward, 1994)
With industrialization increasingly taking over the mantle of growth and conferring of ascendancies on nations; an agricultural emphasis, that too on only one or two items of exports, only ensured that a large number of countries (colonies or otherwise) didn’t compete meaningfully, or were denied the opportunity for it. Hobsbawm argues that even the white settler colonies (with the exception of the USA) failed to industrialize at this stage because of being caught in this cage of international specialization in primary products (Hobsbawm, 1989: 64). But looking back, even colonial USA was not immune to it. Newfoundland and Nova Scotia were exporting dried and pickled fish and whale oil, Quebec - wheat and furs, New Hampshire - forest products, Massachusetts – forest products, fish and shipping, New York and Pennsylvania- grains and grain products, the upper south regions – tobacco (Shepherd and Walton, 1972).

To summarize, the ascent of geographically discontinuous ‘collectives’ over continuous ‘individual’ nations emerged from a faster accumulation of wealth. Having come to occupy diverse geographies, the colonizers derived aggregate comparative advantages that facilitated this process. But the yardsticks for measurement of this wealth were not uniform; it altered depending on which colonizer managed to accumulate what. The shift from mercantilist to commodity accumulation was the first change of baton for ascendancies; the next was a shift to industrialization. These were the initial conditions which the further nations had to contend with in their quest for ascendancies.

**Individual vs. Collective:**

For a colonizer collective in ascent (say Britain), competition could originate from three different fronts; either from another collective, or from an individual nation that had broken away from one of the collectives, or from an independent individual that was never a part of any collective. As seen in the previous section, industrial growth had emerged as the key to compete for ascendancy. With this filtering criterion, a large number of countries effectively remained beyond the purview of competition. Asia and Africa were colonized, agrarian entities. Even some of the breakaway, newly independent countries in the Americas continued to have an agricultural emphasis. Conversely, the geographic span where industrialization spread maintained a much closed list initially, getting clustered in Western Europe and USA (Bairoch, 1982).

From which corner was meaningful competition more likely to emerge, from another collective or from an individual? The benchmark for the collectives was already established by Britain, with its economic supremacy hinging on “her special relationship with the overseas markets and sources of primary products” (Hobsbawm, 1989: 74). The other colonizing collectives sought to emulate this model. For competing with Britain, their success hinged on how effectively they could
replicate this kind of ‘complementary relationships’ or alternatively, establish a new paradigm of wealth generation altogether. Emerging from the fact that they could accomplish neither, Britain continued to be the indisputable leader from among the collectives. It were the ‘individual’ nations that came to pose more serious threats to the ‘Empires’; either a breakaway nation like the USA or the independent nations like Germany and later, Japan. Not to suggest that these ‘individual’ nations didn’t harbor intentions to form their own collectives; but as ‘late colonizers’, there chances were slim to acquire such a status. Also, their attempt at colony formations succeeded rather than preceded internal industrial rise unlike in case of Britain (which makes their categorization as ‘individual’ more apt). Industrialization per se was in its nascence still, and the ‘individuals’ sought to compete with Britain on this front, rather than on the fields of colonization and collective formations where Britain had matured to be the front runner. The individuals were indeed the more likely of candidates to have attempted so.

Had the rise of the ‘individual’ been linked to possession/ occupation of productive lands (or to their agriculture or mining yields), it would have been an arduous task for them to supersede the collectives. Moreover, there were not many such places left that were not already claimed. Land annexations had been the prerogative of the colonizers. “Between 1876 and 1915 about one quarter of the globe’s land surface was distributed or redistributed as colonies among a half dozen states. Britain increased its territories by some 4 million square miles, France by some 3.5 millions, Germany acquired more than one million, Belgium and Italy just under 1 million each. The USA acquired some 100,000 mainly from Spain, Japan something like the same amount from China, Russia and Korea” (Hobsbawm, 1989: 59). Depending on whose land acquisitions proved more productive and populous, the colonizers could be segregated into the more successful and less successful ones. This divide would have continued to be stark had agriculture continued to be the mainstay. But with the rise of industry, even the less successful of colonizers (corresponding to lesser land to their name) managed to compete with the more successful ones. This de-linking of land from growth and prospective ascendancies of ‘individual’ nations would need some further elaboration.

Prior to the rise of collectives, when ‘individuals’ competed among themselves; geographic endowments were integral to the rise of nation-states. Agricultural expansion in a state was connected with increase in acreage/ territorial expansion (that could also involve the geographic expansion of the state itself). Smaller states could be prosperous, but not quite on the same footing as the larger states. This understanding got extended further with the collectives, but for their territories getting distributed over disjointed lands. The rise of industrialization however, conceptually altered this geographic paradigm of ‘larger’ states claiming economic primacy. The shift from agriculture to industry can be viewed as a shift from a profuse land utilizing sector to a more frugal land utilizing one. Value of output could be manifold higher per square unit in an
industrial space as compared to an agricultural space. Industrialization thus offered the means for a geographic concentration or creation of a much larger quantum of wealth than what agriculture could provide.

This impacted the rise of nations at multiple levels. Even as other collectives were engaged in emulating the British ‘colonizing’ prototype, the individuals managed better in internalizing the ‘industrial’ prototype of Britain. The concentration of wealth arising from industrial production was key to the rise of geographically smaller ‘individual’ nations. A ‘larger’ country like the USA could afford to persist with a sizeable agricultural base and still industrialize its economy. But for smaller nations like Germany and Japan, industrialization alone could have enabled their rise. Also, nations could become industrially competitive without having a natural resource base of their own. Japan would form the most conspicuous example of such a development.

The reasons for the growth of the ‘individual’ nations vary, for each one of them had their own specific, localized triggers. They have already been well debated, and remain beyond the investigation of this paper. Our emphasis continues to be exploring the economic geography that facilitated the individuals to emerge in the face of pre-existing collectives. In other words, what were the inherent geographic-economic deficiencies of the collectives that the individuals either circumvented or didn’t have to cope with?

Firstly, the very nature of industrialization differed across the ‘individual’ industrializing nations as compared to the ‘collective’ ones. In case of Britain, the value adding of agricultural or mining products sourced from colonies or elsewhere formed the profile of its first generation industry. Britain produced neither the raw material for textiles (cotton) nor the food items (tea, cocoa, sugar, tobacco) that created its industries. In fact, “apart from coal, 90 percent of the raw materials processed by domestic industry came from abroad” (O’Brien, 1988: 166). To this extent, they were dependant on large scale external procurements.

The colonial (or international) produce thus, not only provided the raw materials for industrial growth in Britain, but more importantly, it also to a certain extent had a say in the direction in which industrial activity got channeled. The ‘visibility’ of earnings from colonial investments spun off a number of “free standing companies” (Wilkins, 1988); a characteristic type of British foreign direct investments, the purpose of which was “to obtain capital by bringing together profitable or potentially profitable operations overseas with British investors seeking financial opportunities superior to those at home” (ibid, 263). Consequent to the privileged access to Empire sources of cheap raw materials, the British had “no strong incentive to develop materials-saving technology comparable to that existing for its continental rivals” (Stopford, 1974: 313) for its industries. On the other hand, the ‘individual’ nations couldn’t have relied on agro-based supply chains that had
...a dependence on external sources. Unlike in Britain, they could not have afforded to industrialize and create scales in such industries; the backward linkages in terms of ready, consistent sourcing of the raw materials being unavailable. For example, British textiles relied initially on American raw cotton; post the American civil war, when this source shrunk dramatically, it was quickly substituted by Indian cotton (Surdam, 1998). Such swift, internal substitution of sourcing would have been possible only in a colonial framework. In any case, the ‘individual’ nations couldn’t have competed with Britain that had already established economies of scale in these industries (unless they engaged in protectionism, and which was the case).

Not being able to compete with the geographical advantages that the collectives had acquired for the first stage of industrialization, the ‘individuals’ that rose against the Empires had a greater engagement with the second rung of industrialization. “Chemical, electrical engineering, heavy machinery and transportation equipment companies that thrived in the United States and Germany played a small role in the British economy. In fact, corporations of the United States and Germany flooded the British market with their manufactured wares. The British corporations that stood at the top of national economy drew their strength from the first generation of industrial manufacturing industries such as textiles and food” (Davies II, 2006) italics ours. Reading between the lines, the industries that thrived in Britain were the ones that drew their advantage out of the Empire, while the ‘individuals’ were more active in further industrial advancements (as seen in the kind of sectors they generated). Within this sectoral divide of industrial engagement, once the ‘individual’ nations progressed to higher scale creation, it spelt the relative decline of the collectives on the industrial front. “The last major change was the increase in the scale of economic enterprise, the concentration of production and ownership, the rise of an economy composed of a handful of great lumps of rock – trusts, monopolies, oligopolies – rather that a large number of pebbles...... In Germany and the USA, this process became clearly visible as early as the 1880s” (Hobsbawm, 1999).

Another geographic characteristic of the rising ‘individuals’, somewhat coincidentally, was the manner of their territorial consolidations leading to larger domestic markets for their industrial produce. In the contrast between the ‘collective’ versus ‘individual’ models of growth, epitomized by Britain versus the USA and Germany, the former had a greater dependence on exports to international markets with the latter relying on their domestic markets\(^3\). But resulting from the American Civil War as well as the German unification, the understanding of what could be termed as domestic had undergone a transformation. In the aftermath of the Civil War, the United States managed to avoid a geographic split of the nation (as well as resources) between the industrial North and agricultural South. This aversion amounting to a de facto unification was instrumental

\(^3\) This has been noted by Hobsbawm (1999) in Industry and Empire.
in the continued integration and deepening of its domestic markets. The idea of an American
*domestic* market would have been altogether different in the eventuality of the split materializing.

In case of Germany on the other hand, there was a conscious, deliberate attempt at creation of a
larger German confederation resulting from the “unification of German states under Prussian
leadership” (Kindleberger, 1975: 477). As noted by Viner, the German customs union or the
Zollverein was a notable exception to the historical rule of political union preceding economic
union (qt. from Dumke, 1978). Kindleberger’s suggestively titled work ‘Germany’s overtaking of
England, 1806-1914’ is replete with instances of the advantages derived from geographic
unification of the splintered German states; the formation of the Zollverein, the tariff regimes, the
later unification of German money with bimetallism giving way to the gold standard to mention a
few. Previously (in case of individual vs. individual tussles), we have seen the emergence of
larger individuals through *annexation* of smaller, neighboring states. But as seen in case of
Germany (or Italy), larger individuals could just as well be created through the *‘unification’* of
smaller states; a qualitatively different process leading to greater economic consolidation.

Ever since collective growth (with the benefits getting accrued to the colonizer) had come into
existence, it had not been contested by any alternative model (of growth). It was indisputably
superior to the ‘individual’ pattern of growth witnessed earlier as well as contemporaneous to the
rise of collectives. A sequence of nations had ascended riding this wave starting with the Spanish
and Portuguese and culminating with the British - the most successful of the colonizing
collectives. The challenges were inter-collective, and to this extent, the economic model remained
intact. But even as the process of colonization was underway, it did have its share of critics
questioning the economic consequences of such a pursuit if not the viability of the model per se.
It needs to be noted that these arguments were obsessed with the implications for the *colonizers*
rather than the colonized. Adam Smith was the first to argue of the pitfalls in his *Wealth of
Nations*; that the colonies imposed heavy and unfair burdens on British taxpayers, *distorted the
allocation of investible funds*, increased the threat of war and the probability of political corruption
at home (Smith, 1993) *italics ours*. Smith’s criticism of fund allocations could be termed a
farsighted one for at the time when he wrote of this, the quantum of funds invested by Britain in its
colonies/overseas were but a small fraction of what they were to become in the course of the 19th
century. His arguments, not surprisingly though, were to find greater resonance in later years.
The issue of return generation from colonial investments and particularly the profitability of such
endeavors were the issues of concern. To cite Healey, “as early as 1880, the British empire was
producing an economic return lower than investment in Britain itself, while to preserve it the
British taxpayer was paying two and half times more for defence than the citizens of other
developed countries” (as qt. by O’ffer, 1993). O’Brien also echoes an identical sentiment when he
cites that the majority of English people shouldered a tax bill of the empire from which they
derived little pecuniary gains (O’Brien, 1988).
Referring to the actual returns on British investments abroad (in 1907-08), the average was 5.2 percent, ranging from 3.21 on government loans to 30.5 on diamonds (Paish, 1911). What would be the benchmark for assessing whether these returns were substantial or not quite so? Such an exercise would have to be a relative one, placing Britain in the context of how its competitors were faring simultaneously. Within the paradigm of collectives, the British returns would have been substantial. But it is the rise of the industrial ‘individuals’ and the manner in which they generated greater return on investments (thereby closing the gap on Britain) that belittled British returns. To rephrase the question of colonies distorting the allocation of funds, it amounts to colonial investments gaining precedence over other alternative investments that would have generated greater returns. What these investments could be became more conspicuous only with the rise of the industrial ‘individuals’; in their absence, such a cost benefit analysis questioning the colonizing collective pattern of growth would not have been necessitated. The individuals not only managed to compete with Britain; but more importantly, their industrial activity provided the required visibility of an alternative pattern of investments fetching higher returns. The rise of industrial ‘individuals’ altered the benchmark of wealth creation that in turn led to the questioning of the very economic viability of colonization and collective formations. In the process, they managed to expose some of the inherent deficiencies of the collectives.

In case of the collective Empires, retaining political control over the acquired distant lands was crucial for deriving sustainable economic gains from them. The returns from the colonies could take the form of (a) land revenues and taxations (at a governmental / administrative level) as well as (b) investments made from this money (and profits thereof), either locally or elsewhere, in governmental or private capacity (see Habib, 1975). Political control not only guaranteed the continuity of returns, but also was responsible for ensuring that a certain exclusivity of investments was maintained. This naturally demanded its own expenditure, and was inherent to the nature of growth sought by the collectives. Therefore, investments had to be made not just in the productive assets but also in the administrative and military paraphernalia required to maintain control over the lands, and by default, on its assets. The catch here is that the loss of the political aegis was bound to impact the economic returns generated from them; but at the same time, the efforts to retain political control would create its own costs, thereby mellowing the economic returns. To the advantage of the individuals, their investments were at a firm level and directly in the productive, return-generating assets without the attached strings of political control. Their returns were bound to be higher. For example, pre-World War I, German foreign direct investments abounded in the chemical and electrical industries spanning across Europe and even Latin America and Far East (Schröter, 1993: 377). British investments on the other hand were concentrated in the Commonwealth, and its returns were conflated with costs incurred by the government in retention of colonies.
In the collective pattern of growth built on possession of disjointed spaces, geography was crucial. However, in the tussle between ‘individuals’ and ‘collectives’, it was industrialization that was instrumental in the rise of the former. How then did geography continue to matter in this new framework once the individuals emerged riding on second-generation industry? Spatial positioning now became the key word more than natural geographic endowments. In the pre-industrial world in which the collectives prospered, agricultural produce formed the mainstay of economies. Its location was pre-determined to the extent that it would come into existence only where the required natural resources (land, climate, water) were available in good measure. The rise of industry on the other hand brought in its wake a surge in the importance of spatial studies. Where should the industry get optimally located? For what started initially as an intra-national question of industrial positioning, it soon spread out to involve international destinations. The rise of industrial supply chains redefined the question to “what segment of the industry should get positioned where”. Correspondingly, the rise of nations now resulted from who managed international supply chains better, as seen in the next section.

Collectives vs. Collectives:

The post War period corresponded to the end of the ‘individual vs. collective’ argument. Of the nations that were at the helm of competition in the previous paradigm, only the USA remained geographically unscathed. Germany was now a divided entity, while Japan had lost some of its grip in South East Asia. But the real brunt of the War in geographic terms was experienced in the colonizer collectives. Progressively, the world was to witness the independence of nations that were formerly British or French colonies. The continued retention of distant lands was always a potent political risk embedded in the structure of a collective. In the course of the 18th and 19th centuries, this risk had already begun to surface in some pockets; the USA had secured independence from the British, Latin Americas had ceased to be Spanish. These instances though were not the norm, and didn’t trigger any contagion leading to the collapse of the collectives. This risk resurfaced and manifested to the fullest extent in the post War years. The consequence was a redrawing of global geographies based on the new, small and large nationalities that got carved out of the Empires.

To realize the broader impact of this, we need to look no further than the large-scale increase in the number of nations that now had political autonomy to determine their ‘internal’ economic destinies. For the newly formed nations, industrialization was the indisputable key to growth, and it had to be emulated. It naturally led to further introspections regarding who should take the initiative for it (the state versus market), how to generate the required resources, what kind of industrial activity needs to be pursued etc. These questions continue to dominate the field of
development economics to date. But irrespective of the industrial itinerary pursued by these nations, its ramification was the devolution of industry into newer geographies. By this, we imply the export of the process of industrialization per se rather than simply export of industrial produce into them. Previously, as part of colonial collectives, these nations didn’t have the political autonomy to embark on the industrial path earlier. To what extent they industrialized, or whether they industrialized at all, rested on the colonizer’s initiatives. On this front, some colonies fared better than the others. Certain flagship products of industrialization like railway networks did penetrate some of the strategically important of colonies and dominions (Cairncross, 1935: 76); like in case of British India (McPherson, 1955). But looking beyond such cases, a stark geographic disparity of the developed versus underdeveloped did get entrenched; and the near lack of devolution of industrial activity was at the roots of this divide. Citing from Bairoch’s computations for total industrial potential of nations; figures for Britain grew from 17.5 in 1830 to 127.2 in 1913 while India that had been under its control decelerated from 32.5 to 13.1 for the same period. It can be argued that even while Britain created its own industrial potential, it hardly got extended to the colonies under its rule. The colonial period in fact led to a decline in the industrial potential of the colonies as seen above. On the other hand, taking the case of Latin America; though it continued to be agricultural driven, its industrial capacity building did begin much prior to any post colonial (post War) nation. This was a natural outcome of early political autonomy. Industrial activity started significantly later in the case of post colonial nations, and then it became a ‘catching up exercise’.

The end of the colonization era resulted into a large number of ‘individual’ nations on the global landscape; the industrial ones, the colonizing-industrial ones, and a host of newly independent non-industrial ones. It also ended the phase of industrial individuals competing with colonizer collectives. But it didn’t signify the end of the concept of collective growth per se. It now was to be re-oriented to fit into the new geographic paradigm. In other words, new forms of collectives emerged from the group dynamics of independent ‘individuals’ with entirely different contours to what existed earlier. As seen in the previous section, the colonizer collectives stood on the edifice of political control, which naturally incurred its own cost of maintenance. Now, the ‘package’ comprising of political control (and its costs) and economic benefits was split apart; and the collective formations now sought economic benefits bereft of the costs of direct political control.

Embedded in the political control of land is also the understanding of ‘market access’ (a more clichéd term in recent WTO parlance). Previously, in the pre-War period, negotiations as the route to market access were restricted to a limited number of participants having political autonomy i.e. the independent ‘individuals’ and countries leading the ‘collectives’. The Cobden-Chevalier treaty of 1860 between Britain and France (see Iliasu, 1971) or the Metheun Treaty earlier in 1703 between Britain and Portugal would be such cases of market access negotiations between two
colonizing nations. For the colonies on the other hand, decision on their market access was an intra-collective affair decided by the colonizer. Taking the case of Britain and India, the nature and extent of market access to India was determined at two levels. Firstly, there was a direct market access resulting from keeping the “Indian markets forcibly open for certain classes of British exports” (Offer, 1935). Such reservations were contrary to the policy of free trade that Britain had adopted at that time but were essential for safeguarding British interests (Kenwood and Lougheed, 2006). Secondly, an indirect route to market access also prevailed through the overvalued exchange rates (in terms of the rupee) and rigid, less-responsive monetary policy (see Roy, 2000) that facilitated the entry of British goods. Such manifestations of political control exercised by Britain would be possible only in a collective framework. Once such external controls had ceased, the case for protectionism became more conspicuous in the newly formed, post colonial developing and underdeveloped nations. In a way, this was only a later repetition of what was seen in the USA and Germany a century earlier. Under these circumstances, the role of negotiations for market access grew in importance and had to be renewed in the new geographic paradigm.

The changing definition of collectives was now that of independent ‘individual’ nations voluntarily forming alliances. The underlying purpose was to benefit from increasing openness of markets for trade, capital or labour movements between member countries forming the collective and restricting others from the benefits of such an action. For such collectives to emerge, certain complexities had to be dealt with. The first was pertaining to the role of governments. In the previous colonizer collectives, governments were active participants in land annexations (that automatically ensured market access for its firms). In the newly emerging collectives, their role was now that of a negotiator for facilitating market access for private corporations. In a way, this is also suggestive of how the understanding of political economy also underwent a change in scope and definition. Further complexities of negotiations arose from an increased number of participants and more importantly, their diversity of motives considering they were at different levels of development and industrialization.

In this context of altered geo-political realities, when new collectives began to emerge, they were obviously centered on some measure of homogeneity of economic interests across the member nations. The underlying pull factors were diverse to say the least. We have politico-ideological collectives like the OEEC (OECD later) and COMECON, commodity specific groupings like the OPEC, industry specific coalitions like the Cairns Group, extensions of historical ties like the Commonwealth, regional alliances like EU, NAFTA, Mercosur and ASEAN emerging at different points of time. The attempt at collective formations happened at different levels of organization. The asymmetry of interests at the broader level gave rise to inner lobby formations resulting in alignment of nations with specific interests. The Bretton Woods organizations that accommodated
diverse national interests were the result of a multilateral experiment at negotiations. But within this outer core was the OEEC (OECD later), a smaller subset of more influential nations seeking greater co-operation among themselves. From within the OEEC came the drive for further internal lobbies, seeking more localized co-operation leading to the process of European consolidation. Such a multilayered presence of collectives was the culmination of nations seeking to create niche markets of access, and would serve to substantiate on our ‘collective vs. collective’ argument.

The splintering of the world into a large number of nations didn’t altogether break the previous hierarchies (economic, industrial and even political). In terms of power structures, the emergence of the Soviet Bloc was the new change; and the economic philosophy it represented did spread into the new, independent geographies (Rudner, 1996). Independent of this development, the leading (or competing) nations from the previous geographic paradigm were the first to maneuver into the new collective formations. The Bretton Woods agreements were predominantly an Anglo-American initiative (James, 1996: 53-57). USA was also instrumental in nudging the West European states into closer co-operation. “The Organization for European Economic Co-operation (OEEC) created as part of the Marshall program was envisioned as a focal point around which closer Western European economic cohesion can be built. It might even be seen as an embryonic form of a future European government, in which the United States would have a role (as an associate member)” (James, 1996: 75-76). Within Europe, a drive towards collective growth was already underway. Immediately post War, it took the shape of bilateral agreements (of which there were 200 of them) soon followed by the multilateral clearing system in the form of European Payment Union (EPU) (see Oatley, 2001). Under the OEEC, the ‘Code of Liberalization of Trade’ came into force simultaneous to the formation of EPU in 1950 (see Boyer and Salle, 1955: 184). The impact of this liberalization was the removal of quota restrictions leading to greater intra-European trade. Already by 1954, “the average degree of liberalization achieved was about 80 percent; Austria and France had freed more than 50 percent of their trade, while Germany, Italy, the Netherlands, Portugal, Sweden and Switzerland had freed more than 90 percent (Thorp, 1955: 286). These were the foundations on which the European collective got formed; trade being the catalyst for cluster formation. Soon, the OEEC was to have its own inner groupings seeking to internalize growth, the inner ‘Six’ and the outer ‘Seven’ (see Camps, 1960). Even as trade surged within these smaller collectives, trade liberalization was also being pursued at the broader level of GATT negotiations. The impact of GATT until the conclusion of the Uruguay Round was largely restricted to the OECD countries reducing trade barriers (Hoekman and Kostecki, 2001). This was the pattern of growth adopted by the industrialized individuals and the newly formed collectives.
The new intra-European attempts at collective formations (or the process of Europeanization) stood in stark contrast to the previous colonizer collectives that too began from Europe. Formerly, Europeanisation could be termed as the aggregate of distinctly British or French or Spanish influences on their respective colonies. They were competitors rather than collaborators in this process. The colonizers willfully extended their own brand of socio-cultural-linguistic imprints to wider geographic domains. Elder writes succinctly of how the ramifications of these devolutions were far reaching; "in the early 1900’s, schoolboys in India and Nigeria were learning the intricacies of Shakespeare’s *Julius Caeser* and memorizing the lists of English kings through the wars of succession, while schoolboys in French Indo-China or West Africa were studying passages from Moliere and Victor Hugo and pointing out on maps of Paris the correct locations of the Louvre and Notre Dame" (Elder, 1971). Intra-Europe, the colonizers persisted with their own identities leading to a longstanding process of local socio-cultural, economic and political differentiation across them. The new collective formations were an abrupt reversal from the earlier display of national identities. “Analytically, Europeanisation can be defined as a process of nation state *boundary transcendence*, resulting in a process of de-differentiation of European polities after five centuries of progressive differentiation in legal and administrative systems, in social practices and in cultural and linguistic codes, in economic transactions and regulations of the market, and in social and political institutions. Europeanisation points to a process of growing permeability and/or of lowering of the external boundaries of territorial systems, and in particular of that specific territorial system represented by the nation state” (Bartolini, 2006: 6). Even as the intra-European integration was in place, the earlier European differentiations still continued to persist; now manifesting more among the colonies where they had got introduced and entrenched by the colonizers.

With the previous industrial ‘individuals’ now participating in the new collectives, the understanding of ‘individuals’ now comprised of the newly independent developing and underdeveloped countries. Their participation in world trade was miniscule; engaged as they were in protecting their infant industries (see Bhagwati and Srinivasan, 1975 for the Indian case). Collective formations were gradually taking shape in the developing countries as well, but were still in nascent stages. Even in clusters where they had got formalized, they had not impacted the respective economies in a deep way. The Colombo Plan in the Asia-Pacific Region (1950), Central American Common Market (1960), ASEAN in South East Asia (1967) etc were such cases (see Hunter, 1997). Even OPEC that was formed in 1960 became a major cluster influencing international trade only in the 1970s, giving rise to the Oil Shocks of 1973 and 1979. But this was a commodity driven collective that benefited from high demand elasticity of oil, and this model couldn’t have the same impact for other commodities originating in the developing countries.
Glancing through the UNCTAD figures for world trade, the pattern that emerges in the 1950-60s is of a stupendous increase in value and volumes dominated by the industrial world (UNCTAD, 2008). This growth was a result of exchanges between the European clusters and by and large, the OECD. From what started as an exercise of integration among the developed nations, the concept of collective formations gradually extended to combining ‘developed and developing’ countries. Trade and capital movements were again the forces creating new economic dependencies but this time, giving rise to the phenomenon of global production sharing. “In the mid-1960s a different form of production sharing between developing and industrial countries began to emerge. This involved the development of specialized labor intensive production activities within vertically integrated international manufacturing industries” (Yeats, 1998). These collectives were not formal agreements as such, but their economic significance cannot be undermined. From the perspective of developing nations, it gave some of them an early headway into new collective formations.

To quote from Dominic Kelly’s ‘Japan and the Reconstruction of East Asia’ about the shaping of a regional collective in Asia: “There can be little doubt that in certain parts of the globe, US economic power and influence have been less dominant than in others. If this was perhaps the case in early post-war Europe, it is doubly true in regard to East Asia, where the US has not been so hegemonic in shaping the production structure……Rather the development of the East Asian production structure over the past forty or so years has been profoundly affected by its relationship with Japan” (Kelly, 2002: 79). In the aftermath of the War, the ominous signs of the emergence of such regional complementarities could already be spotted in textiles - a labour intensive industry that also combines as a take-off industry in Rostow’s terms (ref)- by the 1950s. Japanese exports of textiles from 1949 to 1959 grew a mammoth 600 percent from $ 533 million to $ 3,413 million. But once Japanese textile exports (to the USA) came under voluntary restrictions, it was to be compensated by an enormous surge in exports from Hong Kong (that grew from $ 5.8 million in 1956 to $ 54.8 million in 1958) and other Far Eastern Countries (see Perlow, 1981). (Consequently, this gave rise to a characteristic ‘collective vs. collective’ tussle in the form of the Multi Fiber Agreement (MFA) with restrictions being imposed by one set of nations against another). Over the years, the complementarities were to get further entrenched through further trade and capital investments in the region, extending into more industries; automobiles, electronic equipment etc (see Ng and Yeats, 1999, 2003).

Previously, the value chain for several industrial products was largely domestic. This was replaced by sourcing specific manufactures from specific countries giving rise to an international value chain. Resulting from this, a larger number of developing nations could now partake off a chunk from the larger pie of industrial growth by participating in global chains of manufacturing production. Characteristically, these value chains involved “a disintegration of the production
process, in which manufacturing or services activities done abroad are combined with those performed at home" (Feenstra, 1998). More specifically, “materials and components produced in one country may pass through a sequence of other countries that each add value through fabrication, assembly, or other processing before a final product is delivered to consumers. Countries, which specialize in different stages of the production process according to factor-cost or other locational advantages, are thus linked in a vertical chain through trade in intermediate inputs” (Borga and Ziele, 2004).

Based on the spatial positioning and proximity of sets of developed-developing countries, we now have manufacturing value chains emerging in at least three distinct locations; the USA-Mexico and Carribbean corridor, the West and East European exchanges (see Hoekman and Djankov, 1997) and the Japan-East Asian linkages. Of these, the American collective has acquired a formal identity in the form of NAFTA, some of the East European countries that offered labour arbitrages have now been assimilated into the European Union while a host of agreements have prevailed across the Asian members. Beyond manufacturing, the undercurrents of regionalization are evident in the agricultural markets too as seen across six regional trade areas viz. AFTA, APEC, CER, CUSTA, EU and MERCOSUR. The countries forming these organizations accounted for “62 percent of global trade in agricultural goods in 1995, the same percentage as in 1970 and the 1970-95 average. By contrast, the share of their intra-regional trade to global trade rose more than 10 percentage points between 1970 and 1995, increasing to 40.3 percent by 1995” (Vollrath, 1998).

Geographies certainly played a role here, as can be seen through the clear patterns of regional integrations that emerged. Some regions were advantageously positioned in such clustering, based on the geographic proximity of nations at different levels of development. Asia was one such case. Akamatsu’s theory of ‘the wild-geese-flying pattern of economic growth’ formulated as early as the 1930s suggested of such a situation where less advanced countries adopt the industries of the more advanced countries in the path of industrial development. The sequence that gets constructed is of leading nations, followed by the newly rising ones and the later followers (see Korhonen, 1994). To quote Akamatsu:

“The underdeveloped nations are aligned successively behind the advanced industrial nations in the order of their different stages of growth in a wild-geese flying pattern. For example, when Japan passes the third stage of growth, India and China, which are less developed than Japan will proceed to the second stage, where they will become homogeneous with Japan in consumer goods industries, and Japan’s consumer goods exports to them will decrease. However, Japan will proceed from domestic production and use of capital goods to their production for export, creating a relationship of advanced differentiations with these backward nations” (Akamatsu, 1961)
Interestingly here, the theory still holds valid at the regional level but for the countries chosen to explain it. Both India and China were to pursue a strongly individualistic path of growth that distanced them from the collective model that Akamatsu wrote of. When the model unfolded much later in the post War period, they were replaced by a host of nations from Southeast Asia, in the form of the Newly Industrializing Economies (NIEs) – South Korea, Taiwan, Singapore and Hong Kong; followed by the ASEAN– Thailand, Philippines, Malaysia and Indonesia. As deviants from the collective path, India and China were confounded with long periods of lower growth as compared with the double-digit growth experienced by the East Asians.

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