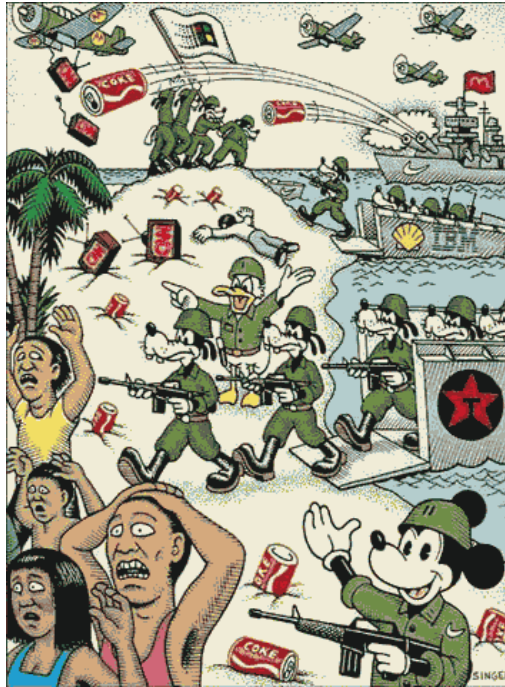


Globalisation and Comparative Capitalism: The Industrial Relations of Volkswagen and Ford in South African Export Zones



Andy Singer, *D-Day* (1998)

Abstract: In the modern era of ‘globalisation’ the strategic autonomy of both firms and states is considered to be on the decline. Developing countries such as South Africa are considered to be especially susceptible the demands of highly mobile and fickle capital. The result is said to be a convergence on neoliberal policies, including in labour relations. However the Varieties of Capitalism (VoC) approach has argued that the modern era of globalisation has seen a continuance of diversity amongst Liberal and Coordinated Market economies. This diversity, in turn, influences the strategies of firms that are embedded in these economies. Using a case study in a VoC analysis, this thesis will show that Volkswagen and Ford retain the industrial relations strategies of their home economies, even when operating in institutional environments considered to be the most conducive to convergence; Export Processing Zones in a developing country (in this case South Africa). The thesis thus illustrates the path dependency of firms in their multinational operations.

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This work is substantially my own, and where any part of this work is not my own, I have indicated this by acknowledging the source of that part or those parts of the work.

Madison Karl Cartwright

Introduction

Since the 1990's a growing literature within comparative political economy has argued that a number of advanced capitalist economies can be grouped into distinct typologies, notably into Liberal Market Economies (LME's) and Coordinated Market Economies (CME's). This Varieties of Capitalism (VoC) literature has rationalist institutionalist, historical institutionalist and sociological institutionalist strands, though overall it has agreed that the political economy of nations is shaped by both formal and informal institutions. The embeddedness and complementarities of these institutions have sustained diversity amongst firms and nations alike despite the alleged homogenising forces of so-called 'globalisation'. The VoC literature has focused a great deal on *domestic* institutions of states, and their enduring influence of firm behaviour. However, as firms grow larger and become multinational, and as the complexities of modern capitalism outpace the ability of governments to regulate, firms are exposed to a variety of *foreign* institutional environments that exist in in the international economy which can influence their behaviour.

Far from being the organic product of insatiable market dominance, the international economy has instead been structured by powerful economic interests; such as large multinational corporations and powerful economies such as America. One strategy pursued by developing nations in this environment has been to establish Export Processing Zones (EPZ's). EPZ's often have business-friendly incentives and conditions, such as tax-holidays and concessions, and exemptions from labour and environmental regulations; however they often require an active state to be implemented and maintained. EPZ's are institutional constructs which are used to pursue certain strategies within defined spatial areas. This usually involves leveraging abundant labour supplies in order to acquire a comparative advantage in the export of certain manufactured products, thus attracting foreign capital.

Once firms from both CME and LME economies are operating in this environment, can we expect them to adapt to the local constraints and opportunities in a way that sees convergence? Once free from the institutions of their home states, do firms of all stripes conform to free market logic? Or will the nationality of the firms continue to influence their behaviours and strategies, even in this new environment?

In order to establish this, the thesis will conduct a case study involving Ford and Volkswagen, and will compare them on their industrial relations strategies in South Africa. These two firms have been chosen because they are broadly similar in ownership, size, markets served, 'transnationality' and workforce. Furthermore, as two of the largest automotive car firms in the world, they both have similar products. In other words, the primary difference between the two is that their nationality. Ford is an American firm, and pursues industrial relations strategies consistent with the LME model. Meanwhile, Volkswagen, as a German firm, pursues industrial relations strategies consistent with the CME model. Industrial relations have been chosen because (a) the CME and LME models differ in this area noticeably and measurably and (b) labour relations are often seen as areas in which firms have been forced to converge as a result of 'global competition'.

Two zones used by the firms have been identified in South Africa. South Africa is also ideal location for the case study because, as a developing country, it is considered to be more likely to encourage convergence in labour relations because of 'global' and international pressures. The same is also true to EPZ's. Therefore, by choosing EPZ's in a developing country such as South Africa, the case study is examining the firms in an environment considered to be *most conducive* to convergence on (neoliberal) labour standards.

Chapter One will outline the VoC literature, and how it relates to arguments of ‘globalisation’. This will place the thesis within a broader academic context, and further explore the ‘gap’ to be addressed by the research. Chapter Two will outline the structure and design of the case study, and the methodological approach. Chapter Three will use coding of Ford and Volkswagen reports to show how both conform to the LME or CME models, and therefore what divergence in behaviour we *should* expect if international institutional environments have little effect on firm behaviour. Chapter Four will then consider what that institutional environment is by analysing the political economy of South Africa, and the conditions in its EPZ’s. It will also argue that EPZ’s are not ‘same places’ with identical (neoliberal) policies, but are all institutionally unique. Finally, Chapter Five will conclude by analysing Ford and Volkswagen’s actual behaviour in the these South African EPZ’s, and considering how they diverge or don’t diverge from the models establish in Chapter Three. It will also consider whether or not there is indeed any convergence of the two firms along a similar strategy, be it a ‘neoliberal’ one or something else altogether.

The case study will show that both Ford and Volkswagen have had to adapt their approaches to the labour conditions that exist in South Africa, however have overall retained their strategies with regard to industrial relations. The firms remain path dependant; pursuing similar strategies as one ones they have in place in their home nations. These strategies are broadly consistent with those expected using the VoC approach, that is Ford adheres to a LME model, while Volkswagen to a CME one. Additionally, many of the conditions in South Africa have seen divergence *away* from more neoliberal practices, such as the prevalence of industry-wide bargaining. The thesis thus indicates that even in export zones in developing nations, so-called ‘global’ pressures are not such as to cause convergence on industrial relations, least of all on neoliberalism.

Chapter One: Varieties of Capitalism and Globalisation

Introduction

The Varieties of Capitalism (VoC) literature argues that there exist several distinctive models of capitalism. Each is heavily influenced and maintained by structures and institutions that exist within the economy and society. Firms, no matter how large, are also embedded in these institutions. However, it has been argued that in the era of 'globalisation', market pressures, forces and imperatives are now what dictate the behaviour of firms (Strange 1996; T. Friedman 1999). In response to these critiques, most VoC literature has focused on the resilience of domestic institutions, neglecting interactions with broader, non-domestic ones. By examining labour-business relations in a developing nation such as South Africa, we can seek to establish the relative influence of these non-indigenous institutions over firm behaviour. This chapter will be divided into three sections. The first will introduce the Varieties of Capitalism literature; the second will consider that literature in light of so-called 'globalisation' and will make the argument for continued divergence amongst nations; and the third will consider the political foundations for neoliberalism in the international economy, and the impact on developing nations. This chapter will thus introduce the major ideas and literature surrounding the research.

Varieties of Capitalism

In recent years a body of work known as Varieties of Capitalism (VoC) has emerged from comparative political economy literature to dispute universalistic views of capitalism. It instead argues for diverse 'types' of capitalist systems. Whereas rational-choice economic

liberalism expects all firms, by virtue of their ‘rationality’, to converge on decisions that “maximise material profits and power”, an institutional approach stresses the “contextual or historically constructed nature of rationality” (Mikler 2007: 72). Historical institutionalism is one of the most common approaches for VoC and comparative political economy scholars. It emphasises the importance of state and national boundaries for the production, stability and reproduction of institutions, resulting in “entrenched and path-dependent differentiation” across national borders (Djelic 2010: 25). Crucially, it argues that “[n]ational institutional environments are historical constructs, the crystallized sediments of a past national history. They generate deep rooted systemic and behavioural inertia” (Djelic 2010: 25). The institutions which determine the political economy of different nations are therefore the result of past political struggles (Thelen 2010: 54).

This neoinstitutionalist approach of VoC draws heavily on the works of Karl Polanyi. Polanyi argued that “[t]here was nothing natural about laissez-fair; free markets could never have come into being merely by allowing things to take their course” (1944: 145). In other words, markets were (and continue to be) socially constructed. Because markets are based on socially and historically specific structures, they can therefore take a variety of forms. However, how *many* forms is subject to much debate. The most recognised typology is that of Hall and Soskice (2001), and separates advanced capitalist national economies into either Liberalised Market Economies (LME’s) or Coordinated Market Economies (CME’s).

This approach takes a relational view of the firm, emphasising both the internal and external relationships and institutions that determine how firms coordinate their activities (Hall and Soskice 2001: 25-26). For example, LME’s coordinate through hierarchies and market mechanisms, while CME’s coordinate more through non-market relationships (Hall and

Soskice 2001: 27-28). This typology is based on rational choice institutionalism which argues that institutions are created by political actors in order to establish processes of incentives and disincentives that are able to solve coordination problems. Individuals and other rational political agents exist within these institutions, and use them to maximise their utility. These institutions will thus exist only as long as they serve the interests of these utility-seeking actors (Djelic 2010: 25; Lowndes 2002: 95-96). Consequently, actors will have an interest in preserving these institutions, and any others which reinforce or 'complement' them (Hall 2010: 213). The United States and Germany are seen as the ideal LME and CME models, respectfully.

Iankova (2005: 2) has identified a similar typology using the work of Albert, which is based on the role of government and the prevalence of social safety nets. This produces 'American Neo-liberal', 'European Corporatist' and 'Asian Statism' models (Iankova 2005: 1). The state-led Asian model has also been identified by Linda Weiss (2010: 184) who has labelled them (fitting with Hall and Soskice's vernacular) 'Governed Market Economies, or GME's. In the Corporatist model, consensus, long-term economic objectives, and close coordination between the government and interest groups are both desirable and necessary (Iankova 2005: 4-5). This is in stark contrast to the American model, which, "favours individualism, rational self-interests, the primacy of personal rights over equality, a minimal state role in the economy, and marginalisation of labour by powerful businesses." (Iankova 2005: 2). Therefore, despite its more state-centric approach, the American Neo-liberal and the European Corporatist models closely resemble the LME's and CME's of Hall and Soskice. However, the emphasis on the role of government has differentiated Asian Statist economies such as Japan from the European Corporatist economies such as Germany. Such economies have highly concentrated firms which are closely integrated with the state (Iankova 2005: 3-

4). South Korea's chaebols, and Japan's keiretsus are ideal examples. Other scholars, such as Mann (1997) and Kang (2010), have also noted that the East Asian political economy differs from the American and European in its extensive coordination between the state and private corporations.

Another typology is that of Esping-Andersen (1990), which emphasises social structures, concentrating on the varieties of welfare states across the major capitalist economies. Esping-Andersen identifies three 'types' of welfare capitalism: the liberal welfare state, the corporatist welfare state, and the social democratic welfare state. The liberal welfare state provides means-tested safety nets designed for the most disadvantaged citizens. Such welfare states include America, Canada and Australia. Meanwhile, the corporatist welfare state considers benefits and transfers less as a stigma and more as a social right. However, redistribution is negligible, as the system is more strongly geared toward sustaining existing class differences rather than alleviating them. Examples of corporatist welfare states include Germany, Italy and France. Finally, the social democratic welfare state is essentially a combination of socialism and liberalism. It is more universal, and is based on egalitarianism, solidarity and full-employment. Examples include most of the Scandinavian countries (Esping-Andersen 1990: 25-30). This typology applies normative institutionalism, which argues that institutions influence the "values, norms, interest, identities and beliefs" (March and Olsen, quoted in Lowndes 2002: 95) of actors.

Other approaches to VoC have even more extensive typologies. These include an approach by Whitley, who established 'business systems' that are shaped by capital and industrial structures (1999). Whitley starts with three types of owner control: *Direct* control by owners, *Alliance* between fairly autonomous managers and owners, and *Market* portfolio control

(1999: 31-35). From these he incorporates levels of coordination and vertical/horizontal integration to establish five business systems: *Fragmented*, *Coordinated Industrial Districts*, *Compartmentalised*, *State-Organised*, *Collaborative*, and *Highly Coordinated* (1999: 43-44). Work systems are similarly divided into *Taylorist*, *Delegated Responsibility* (Negotiated and Paternalist), and *Flexible Specialisation* (Artisanal and Patriarchal) (1999: 92-93). These work systems are determined by the prevailing industrial training systems, and the level to which interest groups are institutionalised in society and the economy (1999: 100-03; 2010: 146-47). Another approach is that of Bruno Amable, which starts with five key institutions: product-market competition, wage-labour nexus and employment market institutions, the financial intermediation sector and corporate governance, social protection and Welfare State, and the education sector (2003: 14). From these he establishes five 'types': market-based, social democratic, Continental European, Mediterranean, and Asian (2003: 15-16).

It is important to note that this thesis will not be seeking to establish which typology of variety is better and why; it is instead an attempt to establish whether such variety exists with regard to the business-labour relations of an American (Ford) and German (Volkswagen) firm in export zones in South Africa (SA). This fact also means that the methodological approach of the thesis will be firm-centred. As such, Hall and Soskice's LME and CME approach will be adopted.

However, Hall and Soskice's approach has been criticised for creating a binary typology leading to a false dichotomy (Amable 2003: 79-80). Nations are placed in one of the above typologies, obscuring the extent to which they can, and often do, embody various components of both, in different ways (Crouch 2005a: 440). For example, Crouch argues that the intimate relationship between business and government in America's defence sector is uncharacteristic

of the LME model (Crouch 2005a: 442; Crouch 2005b: 122); as too is America's extensive industrial policy measures (Block 2008). In other words, by defining America as an LME and focusing on difference, any *similarities* it has with other 'types' are marginalised (M. Watson 2003: 227-31). Additionally, the approach is susceptible to falling into a more straightforward orthodox economic analysis, ranking economies as more and less laissez-fair along a continuum (Peck and Theodore 2007: 751). In doing so they create a purely free market model that exists external of social processes, thus providing an 'other' by which to contrast their approach (Crouch 2005b: 124). The following research has been conducted with these criticisms in mind.

Globalisation and Varieties of Capitalism

The VoC perspective is strongly contested by liberal and Marxist scholars, who both argue that the market imperatives and competitive pressures of globalisation will marginalise some firms while favouring others, homogenising firm behaviour along profit maximising lines¹ (Hodgson 1995). For Marxists, the needs of capital to expand and find new markets will inevitably result in convergence (Hanke 2009: 6; Marx and Engels 1848: 21-23). In this context, the neoliberalising pressures of 'globalisation' since the 1970's represent a movement towards capital interests (Hanke 2009: 6-7). Scholars have both lamented and applauded the 'retreat of the nation state' (Strange 1996), and the 'golden straightjacket' restrictions on autonomous economic policy making (T. Friedman 1999). Although there is much disagreement as to whether this is a positive development or not, scholars of both the

¹ Scholars from a variety of traditions, including Islamic (Dusuki and Abdullah 2007), Marxists (Enoch 2007; Foster 2001; Fridell 2007) and neoliberal (M. Friedman 1970) have all argued that firms are driven by the universal necessity of profit maximisation to converge on behaviour which disregards all 'social' concerns.

left and the right agree that the world is currently at a stage of 'hyper globalisation', in which markets are becoming dominant (Martell 2007: 174). In short, VoC is no longer seen as viable in a globalised world.

It is important to note that the above 'hyper-globalisation' argument has been severely weakened since the 1990's. Firstly, several scholars have noted that current levels of so-called 'globalisation' (such as the share of exports and FDI of GDP), are only marginally larger today than the era preceding the Great Depression (Weiss 1997: 7; Whitley 1998: 459). Secondly, it has also been argued that globalisation has been a rhetorical tool, rather than a driver, in implementing more liberalised policies (Conley 2004; Hall and Biersteker 2002: 6; Sassen 2002: 105; Weiss 1997: 16). Thirdly, the 'transnationality' of so-called Transnational Corporations (TNC's) is exaggerated (Dicken 2007: 124-26), and many TNC's remain geographically embedded in their home nations, and are largely dependent on the state (Dicken 2007: 126-32; Fulcher 2000: 531; Weiss 1997: 10; Whitley 1998: 461). Fourthly, the notion that states are severely restricted by global markets in certain policy areas, specifically fiscal and monetary policy, is empirically unsupported, at least for advanced economies (Weiss 2010: 190-91). The inexorable forces of globalisation thus appear to be more myth than reality, and therefore the threat that they supposedly pose to continued variety amongst capitalist nations are either greatly exaggerated, or negligible.

VoC proponents provide other important rebuttals against convergence theories (Amable 2003: 23-24; Hanke 2009: 4). According to Hall and Soskice (2001: 64-66), unique institutional environments will mean that different nations and firms will respond to globalisation in different ways. In fact, governments and firms will attempt to leverage the existing institutions that grant them their current comparative advantages, further entrenching

the differences between the two systems and creating new forms of diversity (Crouch 2005a: 447; Peck and Theodore 2007: 747). Institutional complementarities further support this resilience to 'global' pressures as economic actors seek to preserve certain institutions that reinforce, and are in turn reinforced by, others institutions in the economy (Djelic 2010: 27; Kang 2010: 524-25). The result is that each variety of capitalism has adapted to the challenges of globalisation successfully, without sacrificing their idiosyncrasies (Dore 2000: 531; Fulcher 2000; Weiss 1997: 15). This has been more the case for nations with strong institutional complementarities, such as Japan, than for those with weaker ones, such as South Korea (Kang 2010).

However, the imperatives of international competition, the increasing emphasis on profitability, the rising influence of equity capital, and the need for entrepreneurial creativity have put significant pressure on CME's to surrender their generous social security systems (and the large taxes that sustain them) and inject 'flexibility' into their labour markets (Albert 1997). Social Democratic parties in Sweden and Germany did indeed enact neoliberal reforms throughout the 1990's and 2000's (Lavelle 2007: 122-26), and similar movements have been underway in Japan (Dore 2000: 112-13; Kume and Thelen 2006: 28-34). Previously statist economies such as France and South Korea have made notable movements towards neoliberal policies in many key area's (Kang 2010: 520), however as Weiss has noted, it is important to not equate a *tendency* with a whole scale *transition* (Weiss 2010: 189).

For example, Thelen has argued that while CME's have been attempting to increase the flexibility of their labour markets, they have done so through 'controlled decentralisation', and not drastic deregulation (2001: 78-79). In Germany, employers have shown a preference

to reform the existing system, rather than dismantling it entirely (Thelen 2001, 84-88). Furthermore, while CME's have recently undergone significant reforms in industrial relations, they have not been along a single (neoliberal) trajectory in which homogenised business interest have been squared against homogenised labour interest. Instead, the reforms have occurred within existing networks and structures, in which unions and firms have pursued their own independent interests (Kume and Thelen 2006). Overall, convergence has often been overstated. In Japan, policy changes have not yielded significant and wide-spread practical changes (Dore 2000: 114-15; Kume and Thelen 2006: 28-34), and liberal ideas struggle to gain "control over the ideological airspace" (Dore 2000, 115). Many of the elite in Japan continue to consider their developmental model as historically 'normal', vindicated by their experiences with it (Y. W. Lee 2008: 522-24). It thus appears that path dependency has sustained core domestic policy preferences in the face of so-called 'globalisation'; despite some more minor, less structural reforms. Furthermore, firms remain embedded within these environments.

Globalisation as a Political Project

However, in addition to being culturally and institutionally embedded (Djelic 2010: 31), the agency of firms also exists within multiple institutional settings; meaning that discretion is also needed (Bell 2010: 9). Actors, especially multinational corporations (MNC's) like Ford and Volkswagen, often move "across multiple kinds of boundaries and cross over many different institutional spheres" (Djelic 2010: 32). This is what has led Sassen (2002) to argue against the common view of globalisation that considers the realm of the national and the realm of the global as mutually exclusive. According to Colin Crouch (2005b: 127), the contexts in which actors operate may themselves be set within wider ones. So while it is true

that MNC's may retain their national and regional identities (Mikler 2010: 410), it would be unsatisfactory to ignore the ability of the 'different institutional spheres' to alter their discretionary behaviour. In short, institutional layers and diverse institutional 'spheres' will have 'gaps' that actors such as MNC's can exploit and leverage in order to achieve their own goals (Thelen 2010: 54-55). Therefore, the constraints and opportunities of the 'global' economy can empower firms such Ford and Volkswagen to alter their strategies.

However, if the 'global' economy is not a case of market triumphalism, then what is it? The following will argue that 'globalisation' is best described as a political project in which a global economic order is built and sustained by powerful nations and their interests. This conception is *similar* to the 'hegemonic stability hypothesis', which postulates that any international liberal economic order requires a hegemonic nation to sustain it by providing the public goods that facilitate economic trade, finance and cooperation; often at the economic cost to the hegemon (Gilpin 2001: 93-97). However, the hegemon's willingness and desire to sustain such 'stability' largely depends on *political* considerations rather than *economic* considerations. Furthermore, the 'goods' it produces cannot be considered 'public' because the order that the hegemon sustains is *subsystemic*, meaning that it is not universal and effectively excludes some nations (Stein 1999: 287). For example, economic integration and liberalisation in Europe suited America's post-WWII ambitions to contain the Soviet Union while strengthening its own influence (Clark 1997: 130). America thus established a *subsystemic* international economic order which served its political interest by marginalising the Soviet Bloc and revitalising the war beaten economies of its major European allies (Stein 1999: 295-308). The 'global economy' is therefore a product of political processes that are guided by the distribution of power amongst nations and other actors.

Liberal globalisation can therefore be seen as a calculated political agenda, stemming from economic nationalism. While economic nationalism has erroneously been equated with mercantilism in the past, Helleiner (2002: 312-22) has argued that we must expand its definition, and instead understand it as an ideology that states that economic policies should serve to strengthen and empower the nation; whether they be mercantilist policies or liberal. Generally, once a country becomes economically and politically dominant, it is often favourable for it to pursue more liberal policies and 'freer trade' (Gilpin 1984: 295). It was the leadership of America that created the post-WWII economic order which is managed and sustained by embedded liberal institutions such as the World Bank, the International Monetary Fund (IMF), and the World Trade Organisation (WTO) (Gilpin 2001: 83). In addition to its leadership role, the American hegemon is also the main beneficiary of liberalisation, specifically financial liberalisation, in this global economic order (Helleiner 1995). It is therefore apparent that the hegemon of the day, whoever it may be, has the most influence in the establishment of the international economic order.

However, as Arthur Stein (1999: 294-95) has noted, it is impossible for the hegemon to act as a leader if it has no followers. In order to secure cooperation from other powers, the hegemon must make some concessions, and cannot simply dictate terms. Global economic relations thus reflect the prevailing balance of political power, along with any asymmetries (Gilpin 1984: 295). Indeed, in 2010 the G20 agreed to reallocate 6% of the voting rights to under-represented countries, specifically China, which now holds the third largest quota (Taylor 25/10/2010). This is an example of international economic institutions catering to shifts in the international political economy. Nevertheless, we continue to live in a "US-led neoliberal international order" that has "attempted to homogenize the shape of the political economies of the world to an unprecedented degree" (Y. W. Lee 2008: 507). Lee (2008) has also argued

that Japan is the *only* advanced economy in the post-Cold War age to pose a significant challenge to this homogenisation. Meanwhile, developing countries such as South Africa, lacking political and economic power, are marginalised in this process.

For example, Chang (2003) has noted that almost all advanced economies, including America, developed with the help of import substitution, protection, and extensive state involvement. Moreover, having reached economic development, these advanced economies are now seeking to prohibit the developing world from doing the same, or ‘kicking away the ladder’. Wade (2003) has also noted how the founding agreements of the WTO have closed off several avenues for development which were used by the economies of the North. In this way the WTO, along with other international economic institutions such as the IMF and the World Bank, have imposed neoliberal policies at the behest of the *national* governments and economies that dominate them, particularly America (Fulcher 2000: 530; Mann 1997: 480-81; H. Watson 2004: 53). America has applied its neoliberal ideology through the above institutions to free capital from territorial confines, with the ultimate goal of benefitting American corporations (H. Watson 2004: 44, 52). Consequently, ‘globalisation’ is in fact the “by-product of states promoting the internationalization strategies of their corporations, and sometimes in the process ‘internationalizing’ state capacity” (Weiss 1997: 4). The upshot is that, while homogenising pressures of the global market have been exaggerated, less powerful nations such as South Africa have nevertheless been subject to pressures to neoliberalise due to *political* constraints and influences imposed on them by powerful states, actors and institutions.

Conclusion

As most VoC literature on globalisation focuses on the resilience of domestic institutions, and neglects the influence of international institutions, there exists a gap in the literature that can be addressed by this thesis. Using the case study of Volkswagen and Ford's labour relations in South African export zones, it will argue that firms continue to be heavily influenced by their national identities even when operating in completely foreign environments. Both Ford and Volkswagen remain path dependant on modes of behaviour that have been structured according to institutions within the American (LME) and German (CME) economies. However, it will also illustrate that local institutional environments matter too, and that both firms have had to adapt to local settings. These local settings have been somewhat influenced by the political neoliberalisation pressures of the international economy, however also reflect a level of policy autonomy on behalf of the South African people and their government.

Chapter Two: Approach and Methodology

Introduction

From the literature review in Chapter One we can see that arguments of an insatiable market-driven globalising process have been greatly exaggerated, and that domestic institutions, formal and otherwise, continue to play important roles in the economy and in the broader society. Furthermore, firms remain geographically embedded entities that are becoming more multinational in their operations, rather than transnational or global (Mikler 2011). However, as firms expand their operations internationally, they are exposed to “geographically and institutionally diverse environments”, which significantly weakens their ability to develop “distinctive innovative strategies” (Whitley 1998: 464). In other words, as firms operate outside of their home nations, they become influenced by a larger variety of institutional structures. This thesis is seeking to determine whether institutions, path dependency and identity follow firms abroad, or whether, once free from the direct influence of their home states, firms converge along utility-maximising grounds. This chapter will outline how this will be achieved. Firstly, it will outline the case study by illustrating the rationale for its structure. Secondly, it will compare Ford and Volkswagen on a number of key indicators in order to illustrate that the firms are suitable for comparison, and that the notable difference between the two firms is their nationality. This chapter will thus outline the methodology and strategy of the research conducted.

The Case Study

Case studies are useful because they enable us to examine processes and relationships within a particular setting (Denscombe 2010: 55). Given the limited scope permitted by a thesis of this size, only two firms have been selected, and these will act as representative/typical firms of each respective typology. The representative firms chosen for analysis are Ford (LME) and Volkswagen (CME). Both will be compared on labour relations. This is because (a) the CME and LME models are said to differ significantly on labour relations, (b) this is often attributed a number of domestic institutions (c) liberalising labour markets is seen as an imperative under globalisation, and (d) homogenous labour-business relations is expected under both Marxist and liberal perspectives. EPZ's have been chosen because they are often characterised by their lack of regulation and oversight, thus enabling us to ask: when corporations are able to do anything they want, what do they do? Additionally, EPZ's usually specialise in the production of one or several goods and they are geographically concentrated (Ge 1999: 1268; Mittelman 2000: 157), minimising the variables and simplify comparison.

South Africa was chosen because it is a developing country that host both Ford and Volkswagen. It also has a number of export zones, two which are utilised by the firms, although in different ways. Importantly, two of the zones in question are located within less than 30 km of each other. Furthermore, as a developing nation, South Africa is under intense pressure to pursue neoliberal policies and to have 'race to the bottom' labour relations. While the thesis will go on to dispute these assumptions, especially the latter, it has intentionally chosen a developing country such as South Africa precisely because it is considered to be more likely to encourage convergence in these areas. There are also more practical benefits for choosing South Africa. Firstly, it is democratic, meaning that information from the

government and news sources is more reliable and accessible. Secondly, it includes English amongst its official languages.

The case study will have three main analysis chapters. The first, Chapter Three, will consider how each firm defines and perceives its relationship with labour. Using content analysis and coding of selected documents it will argue that Ford and Volkswagen clearly exhibit different attitudes to human resources and industrial relations. It will compare the two firms using models of CME and LME labour relations to be constructed using VoC literature. The coding will be of selected parts of the Annual Reports and each firm's Code of Conduct, and will follow a schedule to be determined by VoC literature. Both firms will also be compared on the training and employee programs that they administer and provide for their staff. Information on this will be accessed from publically available documents.

Second, the case study will examine the company's labour relations in two South African export zones; the Coega Industrial Development Zone (used by Ford), and the Nelson Mandela Bay Logistics Park (used by Volkswagen). Using government documents from the South African Departments of Trade and Industry, together with the websites of the zones run by their administrator, the Coega Development Corporation, and news paper articles and other online resources, Chapter Four will place the EPZ's under analysis within a the broader literary context, via a literary survey. It will also determine the political economy of South Africa using secondary, academic sources.

Chapter Five will compare the two firms and their behaviour in the South African EPZ's. Their behaviour will be measured against the same industrial relations models established in Chapter Three. Information on the key indicators will be sourced from newspaper articles;

unions, specifically NUMSA; documents from the industry level employers association, the Automobile Manufacturers Employers Organisation; and company documents. The data will then be compared with the labour relations models constructed in Chapter Three.

Ford and Volkswagen

Because of the unique situations that face many firms, there are a variety of different reasons why their behaviour might diverge. For example, some products require skilled labour in the production process; some products place more importance quality control comparative to transport costs; some products need quick delivery, others don't; some firms may value face-face interactions; some industries compete on quality not cost; some assembly lines need to be more integrated than others; and some products require low labour turnover and higher productivity rather than simply lower labour costs (Cox 1997: 119-26). In other words, there are many variables that can account for divergent behaviour *other than* nationality. In order to eliminate these variables, the firms chosen (Ford and Volkswagen) are from the same industry, service a similar international market with comparable products, and are of a similar size and ownership type. This is important to illustrate as both firms are to be considered as representatives of a broader class of firms. The analysis that follows will show that the only significant difference between the two firms for the purpose of this analysis is their nationality.

Firstly, both Ford and Volkswagen are amongst the most 'transnational' firms in the world, ranking 53rd and 71st in the 2008 TNI² calculations by the Nations Conference on Trade and Development. Furthermore, of the 18 American companies, and the 13 Germany companies

² The TNI, or Transnationality Index, a weighted average of foreign sales as a percentage of total sales, foreign assets as a percentage of total assets, and foreign employment as a percentage of total employment

listed in the top 100, Ford ranked 11th and Volkswagen ranked 4th, respectfully (UNCTAD 2010). According to globalisation proponents, high levels of ‘transnationality’ will make the firms *less* likely to be continuously affected by home institutions. This makes them ideal subjects for a case study seeking to underscore the resilience of these home institutions (Mikler 2007: 76). The high TNI of both firms will also moot any argument that the firms are insufficiently ‘global’ to be subject to convergence pressures, and therefore are inappropriate for the case study.

Secondly, according to the Organisation Internationale des Constructeurs d'Automobiles (OICA 2010), in 2009 Volkswagen and Ford ranked 3rd and 4th respectfully, in terms of units produced. Volkswagen was the largest car manufacturer based in Europe, while Ford was the second largest in America, after General Motors. In 2010 Ford sold 5,524,000 vehicles, hired 164,000 employees, amassed \$119,280,000,000 in revenue and had total assets valuing \$165,793,000,000 (Ford 2010). In the same year, Volkswagen sold 7,278,440 vehicles, hired 399,381 employees, amassed €126,875,000,000 in revenue and had total assets valuing €199,393,000,000 (Volkswagen 2010b). It is clear that Ford is slightly smaller than Volkswagen, however despite this slight disparity, both Ford and Volkswagen are comparable in size. This means that it cannot be argued that the difference found between the two firms was a result of their comparative sizes. Both Ford and Volkswagen are also public corporations listed on the stock exchange.

Thirdly, despite the fact that the German market only represents 14.27% of Volkswagens sales, it accounts for 29% of its production, and 42% of its total workforce. Regionally, 71.3% of Volkswagen’s employees were located in Europe in 2010. Meanwhile, 70% of Volkswagen’s production employees were located in developed nations, while the remaining

30% were in developing nations (as defined by the IMF)(Volkswagen 2011b). In 2010, Ford employed 27.7% of production workforce in the US, and 37.2% regionally in North America. It sources 60% of its production workforce from developed nations and 40% from developing nations (Ford 2011c). Workforce is the area in which the two firms find the least commonality, however itself cannot account for the differing behaviours found in the case study.

Finally, Volkswagen derives 14.27% of its total sales (in units) from the German market, with a further 31.52% if its sales coming from the broader European market (Volkswagen 2010b). Meanwhile Ford derives 35.04% of its sales (in units) from the American market, with a further 8.64% coming from regional North America (Ford 2010). Ford depends on the American market more because it is much larger in size than Germany's. When we compared regional sales, that is, all European (including German) sales for Volkswagen, and all North American (including American sales) for Ford, each derives 45.79% and 43.68% of total sales from their home regions, respectfully. Both therefore generate just under half of their total sales from their immediate regional markets. This shows that (a) both firms are considerably anchored in their local environments, meaning that they are ideal representatives for European and American capitalism, and (b) this is the case, despite them both being amongst the most 'transnational' in the world. Rather than indicating that the TNI has inaccurately represented the 'transnationality' of each firm, this instead indicates that even the most so-called transnational firms are, in fact, not that transnational at all.

The above illustrates that Ford and Volkswagen are similar enough to use in the case study. Despite some differences, which is to be expected, both are broadly comparable on several key indicators. Furthermore, America and Germany are often considered the quintessential

LME's and CME's respectfully, and are consistently considered different 'types' of capitalism under all of the typologies mentioned in Chapter One. This thus narrows the key variable between the firms to their nationality.

Conclusion

The case study will be comparing Ford and Volkswagen on their labour-business relations in both EPZ and their domestic economies. This chapter has illustrated that both these firms are comparable, and that Ford and Volkswagen are similar enough for the case study to be able to focus on their nationality as the key variable under analysis. The EPZ's chosen are located near the South African town of Uitenhage. Both are in close proximity to one another, and both are used by one of the firms. This makes them ideal candidates for the case study. The case study is thus structured so that any difference between the behaviour of the two firms in their international operations would, at the most, indicate that there is validity to institutionalist arguments that maintain that nationality is crucial in shaping firm behaviour, or, at the least, indicate that large MNC's need not converge on rationally determined outcomes.

Chapter Three: Ford and Volkswagen and Labour Relations Under Varieties of Capitalism

Introduction

Ford and Volkswagen have been chosen as representative firms for the purpose of a case study that will compare the two firms on their labour relations within South African zones. In order to be considered appropriate candidates for such analysis, it is important to show that both firms adequately reflect the differing industrial relation systems of the CME and LME models. It is also important to determine the *domestic* labour relations of each respective firm. This is because in order to illustrate whether or not firms alter their behaviour in international settings, one must first determine what their national behaviour is. The chapter will begin by examining the LME and CME labour relation models, and the ways in which they differ. It will then consider the results of a coding analysis conducted on two corporate-made documents relating to labour relations from each firm. The results of the coding will then be examined for key differences exhibited by each firm, before being compared to the models established in the first section, in order to determine whether or not Volkswagen and Ford are suitable representatives. Finally, it will briefly consider several processes and programs of the firms, and how these compare to both the attitudes exhibited in the coding, and the CME and LME labour models. The chapter will therefore generate results that can later be compared with other analyses in order to determine the impact on international operations of the two firms.

Labour Relations and Varieties of Capitalism

In CME's, labour and business have a cooperative relationship, where negotiations and coordination occur on a highly formal level between large business organisations, unions and the state. Through these negotiations, labour exchanges wage restraint and loyalty for job security, education and training (Peck and Theodore 2007: 734). Meanwhile, the state provides a more generous 'social wage' through the provision of government welfare, pensions, health care, and other policies advocated by unions (Wilson 1990: 115). In Germany, training programs are run by unions and employers; union representatives sit on the supervisory boards for large corporations; industry-wide bargaining is still the norm, usually led by the large IG Metall union (the metalworkers union); and firms must adhere to employee-friendly stakeholder requirements established under domestic law (Dore 2000: 117; Preston 2005: 89; Thelen 2001: 82-84; Wilson 1990: 88,97). These laws are called '*Codetermination*' laws, and lay the foundations for the German industrial relations system. They emphasise open dialogue and cooperation between management and labour (Lawrence 2000: 125). This more closely resembles a 'monitoring' system of corporate governance, which emphasises the corporation as an institution, rendering shareholder interests as only one of several objectives, existing amongst more social concerns (Preston 2005: 89-91)

In LME's the labour market is more favourable towards individually negotiated contracts, internal competition, and market forces (Iankova 2005: 2; Peck and Theodore 2007: 734; K. Thelen 2001: 72). This perhaps explains the deep mistrust and suspicion of 'special interests' groups in the American political system (Wilson 1990: 119). In America, union influence has been declining, and unions tend to avoid wide social democratic political involvement in favour of 'bread and butter unionism', which by and large accepts the asymmetric power

relations of capitalism (Herod 1997: 172-73; Thelen 2001: 92; Wilson 1990: 41-42). The legislative attack on unions has accelerated in the wake of the global financial crisis in American states including Ohio, Illinois, New Jersey and Wisconsin (Dennis and Fletcher 23/02/2011). In LME's more broadly, managers have high levels of separation from their workers, and commitment to job security is low (Whitley 1999: 92). Flexible labour markets, high levels of mobility and a minimal welfare state (and thus less taxes) are considered vital to increase incentives to find, keep and excel at work (Iankova 2005: 2-3). Because of the lack of high level coordination, firms will attempt to achieve industrial peace through strong internal controls over workers (Thelen 2001: 78). Therefore, in LME's market forces are emphasised and codetermination is not considered a priority for either labour or business. This more closely resembles the 'market' system of corporate governance, where corporations are vulnerable to stock market fluctuations and investor sentiment, making shareholder interests the primary objective (Preston 2005: 87-89).

Table 3.1 The CME and LME Industrial Relations Models

	CME Model	LME Model
Business-Labour Relations	Cooperative Relations With Labour	Adversarial Relations With Labour
Negotiations	Favours National or Industry-wide Collective Bargaining	Favours Individually Negotiated Contracts
Unions and Employer Groups	Industrial Relations Governed by Unions, Businesses and the State.	Industrial Relations Left to Market Forces and the Influence of Unions etc. is Actively Suppressed.
Shareholder Versus Stakeholder Value	Shareholder Value one of Many Concerns; Other Stakeholders (Customers, Employees, the Community) are also Important	Shareholder Value Primary Concern; Other Stakeholders are Secondary
Job Security	High Commitment to Job Security	Low Commitment to Job Security
Productivity	Emphasis on Training and Education for Achieving Productivity	Emphasis on Cost Minimisation and Flexibility for Achieving Productivity
Hierarchy	Worker Autonomy Stressed	Managerial Control Stressed
Welfare State	The Welfare State is Required to Support the 'Losers' of Capitalism	The Welfare State Inhibits Effective Functioning of the Market and Perverts Incentives

Sources: Thelen (2001), Whitley (1999), Dore (2000), Wilson (1990) and Iankova (2005).

For similar summaries see Mikler (2009) and Peck and Theodore (2007).

While the thesis is hesitant to make wide generalisations from such a narrow sampling of firms, the case study nevertheless considers both Ford and Volkswagen as *typical* organisations for analysis, meaning that they are considered to be somewhat reflective of, at least, German and American firms. The two have been carefully chosen to be broadly similar in size, ownership, markets, products and workforce, and therefore can only be considered reflective of other firms that share the above characteristics, to the extent to which they share these characteristics (Denscombe 2010: 60). However, how the firms differ is of equal importance to the case study as what they share. In order to be appropriate candidates for comparison, it is crucial that both Ford and Volkswagen embody the divergent labour

relations to be discussed above. In order to illustrate this, a content analysis has been conducted on several corporate-made documents relating to labour relations. These documents have been coded according to a schedule which consists of three primary codes determined by the industrial relations models outlined above: Codetermination, Market Forces and Social Concerns.

Company-created documents are useful because they “represent the culmination of the efforts of teams of professionals tasked with presenting information that casts their firms in the best possible light”; therefore embodying messages that the companies consider to be of greatest importance (Mikler 2007: 75). Coding of such reports will therefore reflect how the companies themselves perceive their relations with labour by highlighting how each firm frames and explains its responsibilities, processes, liabilities etc. Two different documents have been chosen from each firm for this analysis; company Codes of Conduct and selected parts of annual reports. Both of these documents were not considered in their entirety, instead the analysis focused on specific sections relating to employees and labour relations.

Coding Results and the LME and CME Labour Models

The coding was completed on Codes of Conducts and Annual Reports specifically because they are catering to different audiences, giving increased insight into how the firms seek to portray their industrial relations to investors and employees. Table 3.2 (below) details the percentage share of Volkswagen and Ford’s Code of Conducts and Annual Reports of the Codetermination, Market Forces and Social Concerns codes. Taken together, the Codes of Conduct and the Annual Reports have a 50-50 share of total codes. It should be noted, however, that Ford’s Code of Conduct was longer relative to its Annual Report, while

Volkswagens Annual Report was longer relative to its Code of Conduct. For example, Fords Code of Conduct had a 64.1% share of Ford's total codes, while Volkswagen's Annual Report had a 58.9% share of its total codes. We could therefore expect the reflective lengths of the different documents to skew the results, as each document favours certain codes; for example the Codes of Conduct favours Social Concern codes. However, being aware of this, we can nevertheless make several observations.

Firstly, both Ford and Volkswagen drew the majority of their Social Concern codes from their Codes of Conduct; including 67% of Volkswagen's Social Concern codes and *all* of Ford's. The complete absence of any reference to the community, stakeholders etc. in Ford's Annual Report is indicative of the low importance social concerns in industrial relations have vis-à-vis investors. Meanwhile, Volkswagen derived only 33% of its Social Concern codes from its Annual Report; significantly lower than its total share of all codes. Therefore, both clearly illustrate a reduced emphasis on social concerns in material intended for investors. However, this is not particularly surprising. What *is* particularly surprising about the findings is that 67% of Volkswagen's Market Forces codes came from its Code of Conduct not its Annual Report. Indeed, the two Market Forces codes from the Annual Report related to financial obligations and labour costs; meaning that there were no references to competitiveness, market conditions and demands, or even business performance. This is in stark contrast to Ford, which derived 62% of its Market Forces codes from its Annual Report, despite the section under analysis being a single page long. This included multiple references to productivity, flexibility and competition/competitors. Meanwhile, only 32% of Ford's Codetermination codes came from its Annual Report. Consequently, it can be concluded that while Ford considers codetermination to be of primary importance when communicating with its employees, Volkswagen considers it a priority for employees and investors alike.

Table 3.2 Code of Conducts and Annual Reports Share (%) of Codes

	Volkswagen Code of Conduct (%)	Volkswagen Annual Report (%)	Ford Code of Conduct (%)	Ford Annual Report (%)
Codetermination	36%	64%	68%	32%
Market Forces	67%	33%	38%	62%
Social Concerns	67%	33%	100%	0%

Source: Company Reports (Ford 2007b, 2010; Volkswagen 2010b, 2010c). Note: Rounded to the nearest 1%

The coding results indicate that there is a divergence in the manner in which Ford and Volkswagen seek to communicate their key priorities, and what they consider those priorities to be. Even the titles of the sections in which they discussed their industrial relations indicated such differences. Volkswagen’s discussion of its employees occurred under an ‘Employees’ subtitle within a section entitled ‘Value-Enhancing Factors’. In the discussion that followed, Volkswagen primarily focused on training and employee knowledge, career pathways, and employee-developing programs. It also made repeated references to the link between training, employee expertise and the manufacturing processes that embody the ‘Volkswagen Way’. For example, comments like “Volkswagen ensures that its employees acquire and continue to expand both basic and expert knowledge for their field of activity...The primary focus of all training programs is on practical relevance” (Volkswagen 2010b: 196), were common. Similar sentiments were also expressed in the Code of Conduct:

“We create an environment which provides personal and professional prospects for our employees, in which exceptional performance...We invest in the skills and competence of our employees...We are committed to working with employee representatives in candor and trust, to conducting a constructive and co-operative dialogue, and to striving for a just balance of interests” (Volkswagen 2010c: 8).

Volkswagen's coding results thus indicate an adherence to the CME labour relations model. It was more likely to reference cooperation and dialogue with employees, to emphasise training, and to mention stakeholders more broadly.

The section of the Ford Annual Report which discussed employees specifically, and was thus coded for analysis, was entitled 'Employment Data', and was included in the 'Financial Content' section. Immediately it is apparent that Ford views its employees quite differently than does Volkswagen, based on the location of this discussion within the Annual Report alone. That is, Ford views its employees as 'data' as opposed to a 'value-adding factor', as Volkswagen does. Ford's discussion of its employees in its Annual Report centred primarily around the costs and flexibility of labour; and the impact of this on competitiveness, unlike Volkswagen emphasis on development and training. The following paragraph summarises the overall sentiment well:

"In March 2009, Ford-UAW membership ratified modifications to the existing collective bargaining agreement that significantly improved our competitiveness, saving us up to \$500 million annually and bring us near to competitive parity with the U.S. operations of foreign-owned automakers. The operational changes affected wage and benefit provisions, productivity, job security programs, and capacity actions, allowing us to increase manufacturing efficiency and flexibility" (Ford 2010: 178).

Ford's coding results thus indicates an adherence to the LME labour relations model. While it included codetermination codes by nature of its unionised workforce, it was still very much

framed around market concerns, such as what competitors are doing, the costs of labour to the bottom line, and flexibility. The above discussion is summarised in table 3.3 below, which compares the results to the labour relations model established earlier.

Table 3.3 Coding Results and Industrial Relation Models Compared

	Volkswagen	Ford
Business-Labour Relations	Emphasises Employee Representation and Dialogue.	Acknowledges Positive Contribution of Workers, but Makes Reference to Industrial Action.
Negotiations	Collectively, with Unions.	Collectively, with Unions.
Unions and Employer Groups	Coordinates with Unions and Workers Councils.	Negotiates with Unions.
Shareholder Versus Stakeholder Value	Stakeholders mentioned in both the Code of Conduct and Annual Report. References to the ‘Common Good’ also Present.	Stakeholders Mentioned in Code of Conduct Only; Financial Performance is Stressed in Annual Report.
Job Security	Long-Term Investment in Employee Development and Training, While Providing Career Pathways.	Job Security Through Negotiations with Unions.
Productivity	Training, Education and Floor-Level Expertise Stressed.	The Cost and Flexibility of Labour Stressed.
Hierarchy	Worker Autonomy Mentioned	Worker Autonomy not Mentioned.
Welfare State	Not Discussed.	Not Discussed.

Source: Company Reports (Ford 2007b, 2010; Volkswagen 2010b, 2010c).

Ford and Volkswagen: Coding Results Compared

It should be immediately apparent from the tables below that Codetermination codes had a higher frequency. This is for two reasons. Firstly, while the section on employees and human

resources in the Ford annual report was just a single page long, the Volkswagen one was several pages, and gave much greater detail. Secondly, practically all of Ford's hourly employees in America are represented by a union (Ford 2010: 178). This is not unique to Ford, but rather is reflective of the industry more broadly. According to the American Bureau of Labor Statistics (2011), durable goods manufacturing is amongst the most unionised industries in the country, with an 11% unionisation rate, compared to the 7.7% of the general private sector workforce, however both are still much lower than Germany's 38% (Lawrence 2000: 131). This means that there are several references to unions and collective bargaining in the Ford documents. Nevertheless, as shown in table 3.4, it is clear that Volkswagen made by far the most references to Codetermination, having a 74% share of the total of such references, while Ford had a 78% share of Market Forces codes. Both had a perfect 50-50 share of Social Concerns.

Table 3.4 Coding of Codetermination, Market Forces and Social Concerns

	Codetermination	Market Forces	Social Concerns
Ford	31 (26%)	21 (78%)	12 (50%)
Volkswagen	89 (74%)	6 (22%)	12 (50%)
Total	120	27	24

Source: Company Reports (Ford 2007b, 2010; Volkswagen 2010b, 2010c)

Volkswagen had higher instances of every category of Codetermination code, especially Training; which Ford had no references to. Training included discussion of education, recruiting quality employees, and the emphasising of the expertise that floor level employees have. Other clearly dominant fields for Volkswagen included Quality (100% share) and Supporting Employees (88% share). Quality included all references to the importance of healthy labour relations, an innovative workforce, and the standardisation of labour process,

to maintaining product quality. Meanwhile, Supporting Employees refers to discussion of employee satisfaction, personal development, and job security. Both companies were more evenly matched on Coordination with Employees and Rules, Laws and Regulations; although Volkswagen still had the edge on both (61% and 56% share, respectfully). The former refers to dialogue and employee representation, unions and collective bargaining, employee autonomy, mutual interest and obligations, relationship building and trust, and the value of employees to overall business success. However, of Ford's 15 Coordination with Employees codes, 9 were references to the American UAW union, and the Canadian CAW union, with whom the company has negotiated collective bargaining arrangements.

Table 3.5 Breakdown of Codetermination Codes

	Volkswagen	Ford
Quality	7 (100%)	0 (0%)
Supporting Employees	15 (88%)	2 (12%)
Coordination With Employees	23 (61%)	15 (39%)
Training	26 (100%)	0 (0%)
Rules, Laws and Regulations	18 (56%)	14 (44%)
Total	89 (74%)	31 (26%)

Source: Company Reports (Ford 2007b, 2010; Volkswagen 2010b, 2010c)

Furthermore, these often coincided with discussion of competitiveness, flexibility and costs. Seven of Ford's 10 Market Condition references were directed towards competitiveness and/or competitors, and all but two of these occurred alongside the discussion of unions and collective bargaining. Additionally, all 3 Productivity references occurred in the same context. Meanwhile, Volkswagen had but one reference between Productivity and Market Conditions. The highest code for Volkswagen under Market Forces was Business

Performance, although as a share this was still on 36%. This refers to sales, profits and growth, risk management and the costs and financial obligations of human resources. Once again, 4 of Ford’s 7 references to Business Performance were in relation to the financial costs of labour as per the negotiations with the unions. Surprisingly, Ford made no direct references to its shareholders in either document, with the sole reference to shareholders coming from Volkswagen. However, this occurred within a listing of several stakeholders, that is “we act responsibly, for the benefit of our customers, shareholders and employees”. Notably, Ford also made the sole reference to industrial action, which occurred alongside the discussion of the negotiated collective agreement with the UAW union. While this was only of a low occurrence (just once), it is nevertheless indicative of the perception that Ford has of the role of unions within its company.

Table 3.6 Breakdown of Market Forces Codes

	Volkswagen	Ford
Industrial Action	0 (0%)	1 (100%)
Productivity	0 (0%)	3 (100%)
Shareholders	1 (100%)	0 (0%)
Business Performance	4 (36%)	7 (64%)
Market Conditions	1 (9%)	10 (91%)
Total	6 (22%)	21 (78%)

Source: Company Reports (Ford 2007b, 2010; Volkswagen 2010b, 2010c)

Social Concerns are more nuanced than Codetermination and Market Forces codes, and this is reflected in the results. Much of this nuance is attributable to the use of Hall and Soskice’s LME-CME binary model. This model was selected because its emphasis on firm relationships was more suitable for the case study being conducted, however it does have the negative consequence of obscuring the variety that exists *within* each of the ‘models’ (M.

Watson 2003: 227-31). For example, it was argued in the previous section that CME firms are more responsive to stakeholder concerns. However, it is noted that Japan puts greater influence on stakeholders and other social concerns primarily because of traditions and conventions, while Germany does so because it is mandated by law (Dore 2000: 116-17). Indeed, coding analysis of firm reports conducted elsewhere has shown that Japanese firms are more likely to reference social concerns such as those listed in Table 3.7 (below), when compared with German and American firms (Mikler 2007: 79). Therefore, while the coding has shown that both Volkswagen and Ford have appeared to have given equal weight to social concerns, this need not be interpreted as a divergence from the model detailed in Table 3.1. Instead, it is reflective of the preferences that exist within the CME and LME models, specifically, between nations like Germany and others like Japan, which are often grouped together.

Table 3.7 Breakdown of Social Concerns Codes

	Volkswagen	Ford
Gender Equity	1 (100%)	0 (0%)
Company Values	3 (43%)	4 (57%)
Community	2 (100%)	0 (0%)
Stakeholders	4 (57%)	3 (43%)
Reputation	2 (29%)	5 (71%)
Total	12 (50%)	12 (50%)

Source: Company Reports (Ford 2007b, 2010; Volkswagen 2010b, 2010c)

Company Programs

The above coding is reinforced by the actual processes and programs that exist within the respective companies. For example, Volkswagen sources many of its employees when they are undergoing vocational training, and then directs them to departments suited to their

acquired skills and knowledge. During this time, it provides programs for the personal development of talented individuals, including the international employment exchange program ‘Wanderjahre’, as well the StartUp Direct training program, which gives university students employment and additional training seminars over the course of two years, all of which are designed to give the students a ‘head start’ in the company. The company also runs an ‘AutoUni’ in conjunction with six universities. Its purpose is to “ensure the transfer of academic knowledge within the group, thereby increasing Volkswagen’s capacity for innovation”, and supervises 309 doctoral students (Volkswagen 2010b: 195). It is noteworthy that these programs are directed at employees just at the beginning stages of their career in the company, and are therefore made on the assumption that the employees will remain with the company for some time. Volkswagen also runs continuous training programs for its employees throughout their time with the company. In 2010, 51,500 employees received additional training through 8,896 seminars in areas such as factory automation, robotics, and application engineering/management (Volkswagen 2010b: 195).

Volkswagen’s supervisory board is also consistent with the CME model. As mentioned above, many of the codetermination processes in Germany are mandated by law, and thus apply to Volkswagen. Its supervisory board includes the Minister for Economic Affairs, Labour and Transport for the Federal State of Lower Saxony; the Minister-President of the Federal State of Lower Saxony (a major shareholder in the company); the chairmen of the Volkswagen Commercial Vehicle Works Council; the first-chairmen of the IG Metall union; and a representative elected by the company’s annual general meeting (Volkswagen 2010b: 19). The role of the Supervisory Board is to support the Board of Management by providing “advice on issues relating to the management of the company, in compliance with the legal requirements and the German Corporate Governance Code”, in addition to consulting on “all

decisions of fundamental importance for the Group, as well as discussing current strategic issues with the Board of Management at regular intervals” (Volkswagen 2010b: 16). Volkswagen’s Supervisory Board thus includes representatives from labour and the state as well as business; and is therefore an example of the sort of coordination expected under the CME model.

Ford also provides training for its employees, however this was mentioned nowhere in its Annual Report. It does mention on its corporate website, however, that it provides “web-based and classroom training, special projects and task forces, as well as mentoring and coaching” for its employees (Ford 2011a). However, there is also an expectation that employees “invest in their *own* professional development by developing an *Individual Development Plan*...to help them meet current and future goals while *maximizing performance* in their current assignments” (Ford 2011a emphasis added). Individual Development Plans are a form of self-monitoring whereby employees set out professional goals, and track their progress in consult with their supervisors. There is therefore a strong individual focus within the training programs, which exists alongside managerial oversight. Other programs, such as the internal ‘colleges’ and the Global Executive Leadership Program, cater to executive and management level positions, not shop-level employees. Overall, Ford proclaims that its human resource strategy, including all its training programs, must align with its ONE Ford objectives, which considers improving the technical skills of employees as an “expected behavior” of the employees themselves, rather than a responsibility or strategy of Ford (Ford 2011b). Therefore, Ford’s training programs less resemble a codetermination approach, and focus more on the individualism and managerial-centric characteristics of the LME model.

Conclusion

It is clear from the above analysis that Ford by and large adheres to the LME model while Volkswagen adheres to the CME models, despite some only minor divergences. In particular, Volkswagen showed much higher tendency to mention training as an import labour strategy, while Ford was more likely to mention market concerns such as competition when discussing its labour relations. The coding also indicates that both firms can be used as typical units of analysis for the purpose of a case study. While the differing attitudes were reflected in coding results, practical applications of these were also evident in the actual processes and programs of the firms. While it has been argued that the above analysis indicates that both firms are reflective of the either the CME or LME model, even if they are not, the analysis still nevertheless indicates that both firms differ significantly in their attitudes and actions in relation to labour relations. That is to say, there is a clear difference between Ford and Volkswagen vis-à-vis labour relations.

Chapter Four: The South African Political Economy and its Export

Processing Zones

Introduction

The previous chapter illustrated that Ford and Volkswagen have divergent labour relations when operating in their domestic environments. Now the thesis will turn to establishing whether or not they continue these divergent practices when operating in the same, but foreign, institutional environment. In order to determine this, the following chapter will first examine what foreign institutional environment the firms will be operating in. Broadly speaking, the case study will be comparing the firms in South African EPZ. Such zones, especially in developing countries such as South Africa, are ideal for comparison as they are often considered environments which are the *most* conducive to forcing convergence on 'liberal' labour relations (Ge 1999; Mittelman 2000: 156-58). This is because they are often viewed as attempts by states to leverage abundant cheap labour in order to access foreign capital (Caspersz 1998: 263; Kumar 1989: 18, 112). The following chapter will begin by analysing EPZ's, specifically what they are, why they are used by developing nations, and how they operate. It will then consider the political economy of South Africa, and its main characteristics. It will finally turn to the two zones being used in this case study; the Nelson Mandela Bay Logistics Park, and the Coega Industrial Development Zone. It will discuss the incentives and benefits of both zones, and how they relate to an overall developmental strategy in light of the previous discussion. By doing so this chapter will thus outline the institutional environment in which the Volkswagen and Ford will be analysed.

Export Processing Zones

Many developing nations, including South Africa, are net capital importers, meaning that they rely on foreign finance to fund their development (IMF 2011: 175; Mosley 2008: 677). In order to access this foreign capital, these economies will need to secure foreign currency reserves and loans, which must be paid or repaid using income derived from exports (Strange 1997: 186). According to orthodox economics, developing countries enjoy a comparative advantage in unskilled and semi-skilled labour intensive production (Mosley 2008: 684; Yuan and Eden 1992: 1028). Therefore, in order to access the capital they need to develop, developing countries should export products that require labour intensive production.

Developing countries are in intense competition with one another for attracting and retaining foreign firms; creating further pressure for them to leverage their unskilled labour supplies and reduce labour costs (Barrientos 2002: 62; Goodwin 2005: 155-56). According to some scholars, this international environment creates incentives for developing nations to compete by lowering effective labour standards; the so-called ‘race-to-the-bottom’ (ICFTU 1999; Pantano and Salomone 2008: 326). This amounts to a practice of ‘social dumping’, and an “implicit governmental subsidy to foster exports by minimising workers protection” (Valor 2006: 264). One strategy that has been used are EPZ’s, which establish special incentives to attract foreign investors to import materials for processing before re-exporting the value-added products (ILO 2007). While EPZ’s offer a number of incentives, their large pools of low-wage workers, as their comparative advantage, is widely considered one of the most important factors in attracting foreign capital (Caspersz 1998: 263; Kumar 1989: 18, 112). EPZ’s are thus institutional creations, designed to enable developing countries to leverage

their abundant resources (labour) to gain access to resources that are locally scarce (capital) (McCallum 2011: 1).

Marxist scholar Burawoy (1983: 588-90) considers EPZ's to be attempts at restoring the 'despotic' labour relations of the 19th century that preceded the creation of the welfare state and the passing of industrial relations legislation. They are the result of a neoliberal political agenda to make territoriality superfluous, and to marginalise the nation state (H. Watson 2004: 45, 52). Donella Caspersz calls this the "osmosis effect", which creates a series of same places across the globe to be utilised by large corporations (1998: 261-65). Because these EPZ's are considerably similar, they lower the costs of capital mobility and running an international assembly line (Mittelman 2000: 156-58). According to some critics, EPZ's essentially create environments in which large MNC's "can establish virtually any hours, conditions of work and wage structure they choose" (McNally 2002: 134). Some zones have been reported to distribute birth control pills to female employees; to demand excessively long shifts of up to 16 hours a day; to deny toilet breaks and water; to issue beatings as punishment; to pay employees below local minimum wage laws, and; to show little regard for employee safety (McNally 2002: 132-34; Santoro 2000: 98-101). They are therefore further symptoms of globalisation-induced convergence along neoliberal forms of governance.

However, while EPZ's, much like the 'neoliberal state', are often defined by what they lack they are by no means deterritorialised areas (R. B. Hall and Biersteker 2002: 12). Analyses of EPZ's in the Philippines, Malaysia and South Korea by McKay (2004), Caspersz (1998) and Young-Sook Lee (1999) have illustrated the crucial importance that the state and local conditions play in a firm's decision to locate production in those zones. These include infrastructure, taxes and social safety nets; geographical proximity to markets and suppliers;

local labour skills and technologies; suppressions of class solidarity; and cultural and language similarities between the host nation and the investing firms (Caspersz 1998: 256-61; Y. S. Lee 1999: 353-56; Likosky 2003). In the Masan EPZ in South Korea, the above institutions were able to retain two thirds of the firms after a wave of unionisation saw wages increase by 254% between 1987 and 1989 (Y. S. Lee 1999: 342-52). Similarly, firms in Filipino EPZ's rely heavily on the state resources to control employee movement, suppress unionisation, and train and educate workers, even in privately owned zones (McKay 2004: 184-90). This has lead Michael Likosky to conclude that "[i]n reality the zones themselves are heavily regulated...the regulations simply favour a particular set of interest"(2003). Just as 'codetermination' provides the social and political institutions of Germany's comparative advantage, so too do EPZ's provide the social and political foundations for developing nations to leverage their abundant labour supply to establish their own comparative advantage.

Table 4.1 Literary Survey of Why EPZ May be Pursued as Policy Over Nation-Wide Liberalisation

Author	Country	Why EPZ and not nation-wide liberalisation?	Explanation
Park (2005)	South Korea	EPZ are a political compromise	Path dependency makes wide-scale reform difficult. Considerable resistance from unions and bureaucrats.
Ananthanarayanan (2008)	India	EPZ are a political compromise	Union dissent would be too great to enact nation-wide reforms.
Yuan and Eden (1992)	Taiwan, South Korea, and China	EPZ favour the host nation	Gives the host state greater control, allows it to act proactively to globalisation
Shah and Rivera (2007)	Trinidad and Tobago	EPZ favour the host nation	Concentrate state's limited resources, allowing it to enforce local regulations
Likosky (2003)	All	EPZ favour capital	Concentrate state's limited resources, allowing it to cater to businesses interests
Rosen (2003)	Mexico	EPZ favour capital	Shield investors from the disadvantages and risks of an undeveloped economy.
Litwack and Qian (1998)	China and Russia	EPZ are catalysts for transition	State can maintain tax revenue during development. Liberal policies introduced later.
Johansson and Nilsson (1997)	Malaysia	EPZ are catalysts for transition	ISI can be maintained, to be wound back after EPZ success provide argument for reform.
Ge (1999)	China	EPZ are catalysts for transition	EPZ a laboratory to test reforms before adopting them more broadly.

EPZ's are strategic policy initiatives pursued by developing nations seeking economic development within the constraints imposed by the international economic order. While it is true that this can mean aligning the policies of the EPZ with those demanded by neoliberalism, something must be said for the fact that this is occurring within the confines of territorially defined 'zones'. We can therefore expect EPZ's to differ from state to state, depending on the particular strategy being pursued by the government at the time. Indeed there are approximately 32 different names for EPZ's, such as Special Economic Zones (China, India), Industrial Development Zones (South Africa), Maquiladoras (Latin America), etc. all of which can indicate differences in incentives and concessions. They can also take various forms, such as single-industry, single-commodity, single-factory, and even single-company (McCallum 2011: 2). EPZ's therefore need not follow a particular (neoliberal) formula, and actually differ from zone to zone. As Table 4.1 illustrates, they can be used towards variety of different ends and can be subject to a variety of different constraints, depending on the country they are in.

The South African Developmental State?

The IMF's most recent World Economic Outlook (2011) lists South Africa amongst the developing countries. However, whilst still developing, it is more accurate to describe South Africa as a middle-income economy, much like Poland, Hungary or Brazil. (Black and Roberts 2009: 213). As a developing nation, South Africa faces extraordinary pressures to pursue neoliberal policies. However, as Linda Weiss (2010: 200) has argued, developing nations are keenly aware of the alternative developmental path pursued successfully by the newly industrialised economies in Asia, and that these "offer a point of reference and model for emulation" for countries such as China, India and South Africa. This may be the case,

however shortly after forming democratic government the ANC “recognized that successful economic policy was subject to *constraints laid down by the international economy*” (Aron et al. 2009: 6 emphasis added). In particular, a private sector funded export-orientated development strategy was considered to be the most ‘acceptable’ to international financiers and traders.

Meanwhile, international economic organisations also began to play a role in South Africa’s neoliberal trajectory. For example, just as apartheid was ending the World Bank assessed the national economy, recommending trade liberalisation, higher interest rates, stable macroeconomic conditions (i.e. fiscal discipline), and other measures to ‘get prices right’ (Black and Roberts 2009: 212-13). Meanwhile, in 1993 the ANC co-signed an agreement with the Apartheid government and the IMF accepting a loan with strict fiscal conditions, which included reducing the budget deficit to 6% of GDP, abstaining from tax increases, controlling public wages and refraining from “excessive” social spending (Tettey 2008: 226). The IMF, along with the WTO have also been instrumental in encouraging South Africa’s aggressive trade liberalisation (Aron et al. 2009: 11). From 1993 to 2003, the weighted average of trade protection in South Africa dropped from 38.1% to 14.8% on manufactured goods (Black and Roberts 2009: 214).

However, while the ANC government initially implemented neoliberal policies, over time alternative reforms have gained dominance over the government’s agenda; resulting in increased government involvement in the economy. Trade liberalisation has now slowed in favour of industrial policies; privatisation has been marginalised as a main policy initiative; and pro-labour reforms have been introduced to increase rather than decrease labour market regulation (Aron et al. 2009: 6). However, Lodge (2009) has argued that this does not mean

that South Africa is pursuing a developmental model in the tradition of Japan or South Korea. He argues that such a model requires strong alliances between the state and particular economic interest groups; something South Africa lacks (2009: 253). Schneider and Maxfield have similarly argued that South Africa is missing the exchanges in information, reciprocity, trust and credibility required for an effective 'growth coalition' (noted in Seekings and Natrass 2011). Instead, the post-Apartheid South Africa state has sought to discipline and transform business, not work with it (Seekings and Natrass 2011: 340).

Neoliberal policies and 'globalisation' pressures have been useful tools for disciplining local businesses (Seekings and Natrass 2011: 353). Most economic policies and state-business consultation and engagement have benefited international capital and the local black elite, while established and powerful domestic white firms have been treated with disdain (Lodge 2009: 260; Seekings and Natrass 2011: 352). Organisations such as the National Economic Development and Labour Council (NEDLAC), which was set up to seek consultation with business and labour on the post-Apartheid economic transition, has become increasingly sidelined and practically rendered irrelevant (Tettey 2008: 229-30). The hostile and suspicious relations between local capital and the state means that South Africa cannot be described as fitting the developmental state model, despite its high concentration of capital in a few large, vertically integrated firms (Seekings and Natrass 2011: 343). Additionally, high unemployment, the prevalence of low-skilled jobs, and the ongoing reliance on casual labour for competitiveness, is antithetical to the high skilled development enjoyed by genuine developmental states (Lodge 2009: 255-56). Therefore, South Africa's political economy cannot be accurately described as a developmental model, despite attempts by the state to pursue developmental strategies.

The Nelson Mandela Bay Logistics Park and the Coega Industrial Development Zone

South Africa's EPZ's, known as Industrial Development Zones (IDZ), are not attempts to establish neoliberal 'same places' for the use of large firms, but rather areas in which the state can play an active role in providing services to help businesses prosper and to encourage international investment, exports and employment generation. The development of IDZ's were included in the wave of neoliberal reforms in the mid to late 1990's as the new ANC government pinned its hopes of reducing inequality and unemployment on an export-orientated strategy. While the ANC anticipated establishing a more 'traditional' EPZ model, intense pressure from unions saw a dilution of the purpose of the zones, and an overall lack of consensus on zone-led strategies right from the onset (McCallum 2011: 13). This resulted in a much more regulated structure than other models. For example, labour laws are the same for both the zoned and non-zoned economy (McCallum 2011: 3). As the zones are not exempt from national labour laws, unions have been able to establish a strong presence in them, albeit with greater difficulty due to heavy monitoring from management. Overall, wages and conditions conform to national standards, and by some accounts are even higher (McCallum 2011: 14).

However, a number of other concessions and incentives are available in the zones, such as duty suspensions on imports for production-related raw materials, as well as value-added-tax exemptions, six year tax holidays, and access to Custom Controlled Area's that provide streamlined administration for customs requirements (CDC 2011b; DTI Feb 2011; McCallum 2011: 13). The Coega IDZ covers an area of 11,000 hectares and is managed by the Coega Development Corporation (CDC), a state-owned enterprise formed in 1999 specifically for that purpose (CDC 2011a; NAACAM 2011). With a total investment of

USD\$1.8 billion, it is the largest development in South Africa since democratisation, and is the largest EPZ in the African continent (McCallum 2011: 14). The Coega IDZ is also host to one of Ford's two factories in South Africa.

In March 2008 the CDC also took responsibility for the management of the Nelson Mandela Bay Logistics Park (NMBLP), although the park remains in full government ownership (06/03/2008). The park was built in a strategic partnership between the Nelson Mandela Bay government and Volkswagen, and is located directly opposite Volkswagens Uitenhage factory (CDC 2009: 21-23). This strategic partnership continues today, with the NMBLP being "fully supported" by Volkswagen, although it also hosts suppliers for other factories (CDC 2009: 35). The NMBLP is *not* an IDZ, and therefore does not benefit from the above concessions. However, while it may not receive the same incentives as the Coega IDZ, it is nevertheless the recipient of substantial assistance from various levels of government. For example, in 2009 the Eastern Cape Provincial Government funded a R140 million project to construct three warehouses to be used by private companies in the park (CDC 2009: 18). Such a public expense on providing private goods can be considered a subsidy. Additionally, the NMBLP also receives a number of services from the state. Remembering that EPZ's need not follow a single formula, we can thus consider the NMBLP an EPZ in that it is a spatially defined area that receive special considerations and services that are not available to the broader economy.

In many cases the services provided to the zones by the CDC by far surpass the quality available in the general economy. Even quality telecommunications and transport infrastructure are luxuries in a country that has seen decreased investment in public infrastructure since 1994, and as a result, lags behind a number of other middle income

economies on key infrastructure benchmarks (Plessis and Smit 2009: 47). Furthermore, the infrastructure within the zones can be ‘customised’ to the needs of the investing firms (NAACAM 2011). The CDC also provides training programs; an important service in a location that is experiencing severe skill shortages in the electrical, mechanical, construction, manufacturing, engineering and call centre industries (CDC 2008: 48). In 2009 alone, the CDC, in partnership with the Sector Education and Training Authorities, trained a total of 5,835 people in 13 different trades (CDC 2009: 53). Other services include 24-hour security provided to the sites; world standard guaranteed practices in design, construction, safety and management, and; employee accommodation provided close to the zones (NAACAM 2011). This does not paint the picture of a hands-off neoliberal state, but rather an active and interventionist state. The zones are thus not ‘same places’ that have created a ‘race to the bottom’ environment, but are, however, spatially defined areas that enable the government to provide the sort of investment and services it is unable to afford and/or deliver to the economy more broadly.

There are several observations that can be made about South Africa’s zones. Firstly, they, like all EPZ’s, specifically favour *foreign* firms engaged in the export of value-added products. This brings capital for development and for generating local employment, while at the same time enabling the South African government to ‘discipline and transform’ local business as noted by Seekings and Natrass above (2011: 353). Secondly, the South African government has also been able to align the policies of the zones with other initiatives, such as its training and employment programs. For example, the CDC coordinates with the Expanded Public Works Programme for its training initiatives and investments in the zones and their infrastructure (CDC 2008: 54; 2009: 54). Therefore, the South African state is using the zones to gain greater control over developmental strategies and to engage proactively in the

international economy as Yuan and Eden (1992) have argued. Thirdly, focussing the state's resources on providing infrastructure and other key services to a geographically concentrated area benefits not only the states developmental strategy, but also the investing firms. Fourthly, powerful unions have ensured that labour rights are protected, therefore indicating that (a) the zones do not appear to encourage the sort of 'despotic' labour reactions anticipated by Mittelman (2000), McNally (2002) and others, and (b) that such low labour standards are not required of all EPZ's. Overall, the zones therefore 'favour the host nation' and 'favour capital', however to not appear to either a 'political compromise' or a 'catalyst for transition'.

Table 4.2 Observations on South Africa's Zones

EPZ are a political compromise	Applies to South Africa?	Why?
Path dependency makes wide-scale reform difficult.	No.	South Africa's zones are in many ways <i>less</i> liberal than the general economy, meaning they are not an alternative to wide-scale liberal reforms.
EPZ favour the host nation		
Gives the host state greater control, and concentrates its limited resources, thus allowing it to act proactively to globalisation	Yes.	The zones have also enabled the state to offer services, infrastructure, and programs which it is unable to offer the broader economy.
EPZ favour capital		
Concentrate state's limited resources, allowing it to cater to businesses interests	Yes.	Business benefit from more efficient state services while inside the zones. They also receive customisable infrastructure, effective subsidies, and free training for employees. Employees are also conveniently located nearby due to state-provided housing.
Shield investors from the disadvantages and risks of an undeveloped economy.	Yes.	Receive better infrastructure than the rest of the economy, and receive 24 hour security.
EPZ are catalysts for transition		
State can maintain tax revenue during development. Liberal policies introduced later.	No.	Policies in South Africa have become less, not more liberal in recent years.
ISI can be maintained, to be wound back after EPZ success provide argument for reform.	No.	South Africa's zones have many interventionist characteristics, and therefore could not be used as an effective argument for wide spread liberal reforms
EPZ a laboratory to test reforms before adopting them more broadly.	Maybe.	This is yet to be seen.

Conclusion

South Africa has succumbed to many of the pressures calling for neoliberal policy to attract foreign capital, however has also managed to pursue more developmental strategies, albeit with limited success. On the surface, it may appear that the IDZ's and logistics parks are a concession to the neoliberal pressures, indicating a political compromise that seeks to localise and limit neoliberal reform. However, the zones do not follow a neoliberal formula. Firstly, they do not seek to exploit abundant and cheap labour, instead granting the same rights and conditions to workers and unions as those that exist in the general economy. Secondly, the state is more engaged and involved in these zones, providing services and infrastructure that it is unable to provide to the economy more broadly. The zones thus benefit the state, which can use the zones in conjunction with other initiatives, and can utilise the limited spatiality of the zones to provide services to business. Capital also benefits, as it receives better infrastructure, services etc. than would otherwise be available.

Chapter Five: Volkswagen and Ford in South Africa

Introduction

The previous chapters have laid the ground work of the case study by establishing and defining the parameters and subjects. This chapter will now compare Volkswagen and Ford in their operations in the South African zones. It will compare each firm's industrial relations strategies with the LME and CME models established in Chapter Three, as well as to each other. Taking into consideration South Africa's local industrial relations environment, it will argue that both firms have, overall, retained their respective approaches while adapting where necessary to local conditions. Firstly, the chapter will establish what these local conditions are, and the implications they have on the strategies of the firms. Secondly, it will consider Volkswagen and Ford in turn, and analyse how their strategies are reflective of CME and LME approaches, and how they have been/not been affected by local conditions in South Africa. Finally, it will examine the findings and compare the results from the two firms. In doing so it will conclude that both firms have retained the strategies of their national identities.

South African Corporatism?

Both before and after Apartheid was abandoned, the Congress of South African Trade Unions (COSATU) and the ANC had allied themselves in order to pursue political goals (Lawrence 2000: 122-24). COSATU is the largest labour federation in South Africa (Collins 2004: 6), which has a unionisation rate of 40% (Collins 2004: 6,11). In the automotive industry, approximately 80% of the workforce is organised under the National Union of Metalworkers

of South Africa (NUMSA) with an additional 10% belonging to other unions (Collins 2004: 6; Hirschsohn et al. 2000: 60). The high levels of unionisation are in part a result of a favourable legislative environment. Between 1994 and 1999, three pro-labour acts were passed: the Labour Relations Act of 1995, the Basic Conditions of Employment Act of 1997, and the Employment Equity Act of 1999. All of these strengthened employee positions vis-à-vis wage negotiations and employment security (Aron et al. 2009: 16-17). Additionally, labour has also been successful in mitigating employee hostility to centralised bargaining; has secured the constitutional right to strike, including political and sympathy strikes; and has witnessed the South African Supreme Court rule lockouts unconstitutional (Lawrence 2000: 121-25). South African unions therefore wield considerable clout in their own right, in addition to being heavily embedded with the ruling party.

As this pro-labour environment applies equally both inside and outside the zones, all of Ford's hourly staff at the IDZ-based Struandale Engine Plant, accounting for 89% of the total employed at the factory, are unionised (Ford 2007a). Likewise, 80% of Volkswagen's employees at the non-zoned Uitenhage plant are unionised (Desai 2008: 37). Scholars such as Hirschsohn et al (2000: 56) have argued that COSATU and its affiliates capitalised on their growing strength relative to the then weakening South African state during the 1980's to early 1990's by implementing corporatist structures. These have benefited labour while developing "consensus-based industrial policy" via coordination between business, organised labour and the government. Another major corporatist-like concession won by the union movement is the Workplace Forum; the "functional equivalent of German works councils" (Lawrence 2000: 121). It would therefore appear that the union movement and the state in South Africa have implemented and pursued a number of German-style codetermination strategies, both on the industry and shopfloor level.

Because of its considerable size and significance, NUMSA was one of the first unions to become actively engaged in policy making at the industry level (Hirschsohn et al. 2000: 57). For example, in 1989 NUMSA effectively used “its shopfloor militancy and organisational strength” (Hirschsohn et al. 2000: 64) to coerce several of the large automotive manufacturers into establishing a National Bargaining Forum (NBF). The NBF is a bargaining council; an organisation through which collective bargaining in South Africa generally takes place. Since the 1980’s the number of employees covered by the councils more than doubled, spurred by the Labour Relations Act of 1995, which has encouraged the creation of centralised councils (Godfrey et al. 2007: 15). Bargaining councils include representatives from both business and labour, and in this sense are strongly reminiscent of the corporatist structures of coordination by institutionalised interest groups often seen in CME’s. NUMSA represents labour while seven of South Africa’s largest automotive manufacturers (including Volkswagen and Ford) are represented by the Automobile Manufacturers Employers Organisation (AMEO). Meanwhile, the automotive manufacturers and their component suppliers are also represented by the National Association of Automobile Manufacturers of South Africa (NAAMSA) and the National Association of Automotive Component and Allied Manufacturers (NAACAM). These organisations operate outside the context of collective bargaining (Hirschsohn et al. 2000: 60). Therefore, the interests of capital and the interests of labour are both represented by national organisations recognised by and integrated with the state; again indicative of the CME model.

However, what is *not* indicative of the CME model is the ‘shopfloor militancy’ unions have used to establish these structures. While unions have developed notable presence in the South African economy, cooperative interaction has not materialised, and unions and business have

adversarial relations. Many of those in the union movement have been shaped by the tumultuous clashes and militant unionism of the Apartheid era, and this has informed their interactions with management (Bolsmann 2010: 527-30; Collins 2004: 36-37; McCallum 2011: 12). Therefore, despite the existence of bargaining councils and other corporatist structures, South Africa's industrial relations *cannot* be considered to follow a CME codetermination model; mainly because of the ways in which agents interact and utilise these so-called 'corporatist' arrangements.

For example, South African trade unions have yet to embrace or staff the Workplace Forums, and have failed to utilise them for organising in the way that German unions have been able to (Lawrence 2000: 124-26). Meanwhile, despite its close relationship with the ANC, even COSATU agrees with other union federations that consultation with the government is of a poor standard (Collins 2004: 9). For example, tired of the inadequacy of official processes such as NEDLAC, COSATU has joined other segments of civil society in utilising political activism (Tettey 2008: 229-35). In short:

“There are no signs at present that either the ANC government or the business community will make a priority of improving employer-employee co-operation or building company-level codetermination structures” (Lawrence 2000: 130).

That is to say that while some corporatist structures and institutions have been implemented, there are still others that are missing, and which are preventing a genuine form of codetermination. This includes more informal institutions, for example German norms of trust and reciprocity which can only develop over long periods of time (Goodin 2003: 207-11). While industry-wide corporatist structures have been somewhat developed, South

Africa's unions remain suspicious of management and there is little trust between labour and business.

Volkswagen

Both Volkswagen's Uitenhage and Ford's Struandale plants were built several decades ago; before the establishment of any of South Africa's zones. However, while the Coega IDZ was built to include Ford's plant, Volkswagen's plant lays outside the boundaries of any zone, despite the two being just 23km apart. This means that it cannot access the tax breaks and other benefits available in the IDZ. Instead of lobbying the government to include Uitenhage in the Coega developments borders, Volkswagen has preferred to abstain from the IDZ and focus its energies on the NMBLP. This R600 million park was developed in partnership between Volkswagen's and the provincial government, and primarily serves the needs of the Uitenhage plant (Kernohan 23/11/2009). Volkswagen has five main component suppliers in the park; Rehau, Bentler, Flextech, Faurecia and Grupo Antolin (Stephens 2008). Only with Volkswagen's increased production was the park made viable, meaning that involvement and cooperation from Volkswagen was crucial for the realisation of the development (Venter 20/10/2006). The NMBLP was thus a product a cooperative partnership between Volkswagen and the state.

However, while Volkswagen has not received any tax breaks, its partnership in the NMBLP has brought other benefits. Of the five main suppliers listed above, four received financial assistance from the state-owned CDC, totalling R201.9 million (Carte 01/04/2010). The establishment of the NMBLP was a crucial step in Volkswagen's commercial strategy for South Africa. The park's suppliers have enabled the company to achieve its goal of

increasing the local content of its components to 77%. Volkswagen considered meeting this benchmark to be vital to its ‘globalisation’ strategy to increase exports from South Africa. According to Volkswagen South Africa’s managing director, David Powels:

“The establishment of the NMBLP has been a crucial step in the process to enable Volkswagen to become a globally competitive manufacturer of vehicles in the Eastern Cape” (20/11/2009).

Volkswagen’s emphasis on local content shows a long-term vision for its South African operations, which is seen as important to its overall commercial strategy. Furthermore, the NMBLP is located just 2km from the Uitenhage plant, where it is easy to monitor and assess. Indeed, some 80% of Volkswagen’s domestic suppliers are located within a 35km radius of the factory (Volkswagen 2010d: 25). Volkswagen’s decision to centralise its suppliers close to its factory reduces its reliance on imported components from far way locations that are harder to monitor and influence. However, the company is aware pursuing its further goals for local content will not be a simple process, and for this reason it has openly appealed to governments of all levels to “work with us” (Venter 26/11/2010). It is clear that Volkswagen has willingness, if not a preference, for dealing with the South African state in achieving its goals, which is indicative of a CME approach.

As part of its obligations under the ILO’s Global Compact, Volkswagen has implemented a ‘Global Labour Charter’ that embodies a “special culture of codetermination” (Volkswagen 2010a: 3). The charter sets out minimum standards for the entire company, mandating that all facilities have some form of employee representation. The Charter was the result of a dialogue between the Board of Management and employee representatives, including the

International Metalworkers Federation (Volkswagen 2010a: 3). In its progress report on the Global Compact in 2010, Volkswagen declared that it is “committed to working with employee representatives in candor and trust, to conducting a constructive and co-operative dialogue” (Volkswagen 2010a: 4). Codetermination was introduced in Uitenhage as early as 1979, when it introduced full-time shop stewards. Today, these shop stewards sit on the Joint Union-Management Executive Committee alongside senior management, and together they consider strategic issues of importance to the company. In this way the committee bears some resemblance, albeit in a much more limited form, to the German supervisory boards (Masondo 2010: 43-44). Volkswagen South Africa has also done extensive work with HIV/AIDS prevention (Volkswagen 2010a: 4). The company has therefore attempted to integrate its ‘culture of codetermination’ into its South African operations.

However, the independent suppliers located in the NMBLP are obviously not covered by the companies ‘Global Labour Charter’ with respect to employee representation and other codetermination arrangements. Nevertheless, there are strict controls and assessments that are conducted by Volkswagen on its suppliers, which encourage codetermination arrangements and enforce accountability mechanisms to ensure worker rights. In 2007, the company initiated a Better Health and Safety for Suppliers project with the ILO and the German Corporation for Technical Cooperation (GTZ). The project was overseen by a committee that also included, once again, the International Metal Workers Federation (Kristjansdottir 2007: 7-8). The project audited suppliers in order to assess their performance of employee health and safety. The goal, however, is not to police and punish, but rather to cooperate with the suppliers and support them to increase their performance (Volkswagen 2010d: 27). Volkswagen has therefore not only taken an active interest in its suppliers labour relations, but has also sought to guide them where possible.

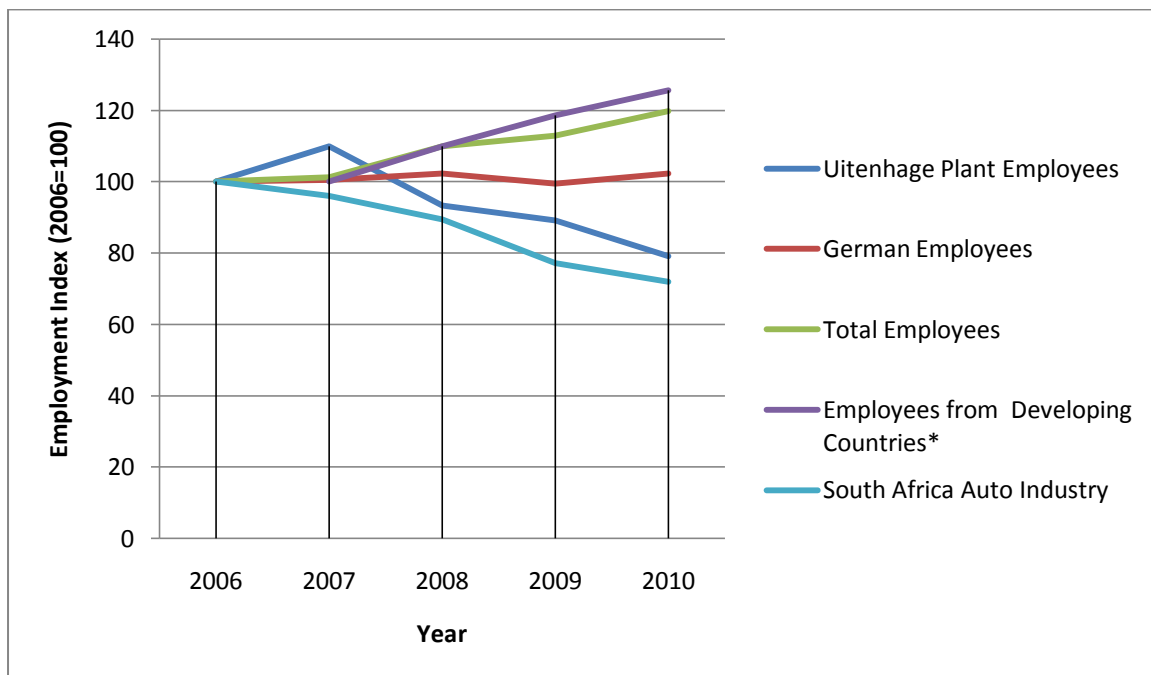
In 2005, eight of Volkswagen's suppliers in South Africa were audited. Initially, they performed poorly with those in Brazil in Mexico. The South African suppliers averaged a 'poor' rating of just 54.44%, while Brazil and Mexico average 'good' scores of 70.06% and 80.31%, respectfully (Kristjansdottir 2007: 13-15). However, by the follow-up visit later that year, all but one of the suppliers had "made significant progress towards the formulation of a comprehensive policy based on *social dialogue through the involvement of workers and management*" (Kristjansdottir 2007: 14 emphasis added). Since then, in 2006, Volkswagen established the pilot phase of a prevention system in cooperation with the South Africa's Department of Labour in order to continue the progress of its suppliers (Kristjansdottir 2007: 14). It therefore appears Volkswagen has also influenced some of its suppliers, such as those in the NMBLP, into not only improving their performance on health and safety, but also into engaging in a codetermination-like 'social dialogue' between employees and managers.

Volkswagen's commitment to the education and training of its employees is also prevalent in South Africa, in addition to several other CSR education programs (Volkswagen 2011a). Volkswagen's training initiatives include the Volkswagen Dealer Academy, which focuses on sale skills for its network of retailers, and is run in collaboration with the Department of Labour. The company also has a working partnership with the Nelson Mandela Metropolitan University, which aims to "provide engineering students with research capacity and to help them identify applications for new technologies in component and vehicle manufacturing processes" (Volkswagen 2011a). Lastly, the company also runs the Volkswagen Learning Academy out of its Uitenhage plant, although it is available for local suppliers and businesses as well as company employees. Over the past four years the company has invested R400-million on the academies, which are able to grant nationally recognised

qualifications (Volkswagen 2011a). Such commitment to education and training is indicative of the CME approach, as well as being consistent with Volkswagen’s behaviour in Germany, as seen in Chapter Three.

On job security, the findings are mixed. On the one hand, employment at the Uitenhage plant fared much worse than employment across the Volkswagen supply chain. This is true when compared with employment in Germany, in other developing nations, and globally. On the other hand, Volkswagen retained more employees than the South African automotive industry as a whole. Figure 5.1 (below) illustrates this by comparing indexes from various Volkswagen operations. Overall, it can be concluded that as Volkswagen retained more employees than the South African industry as a whole, it displayed a greater commitment to job security; a characteristic of the codetermination model.

Figure 5.1 Jobs at Volkswagen



*Russia, India, Argentina, Hungary, Poland, Mexico, Brazil, China. Sources (Volkswagen 2011c; NAAMSA 2011)

However, Volkswagen has had trouble pursuing its codetermination strategies. Despite the company's attempts for cooperative relationships, many of NUMSA's members have "viewed this consensual approach with deep suspicion and regarded it as selling out to employers" (Masondo 2010: 60). While Volkswagen has been pursuing codetermination, many of the union's militant members favour adversarial interaction with management (Masondo 2010: 61). By and large, many employers in South Africa fail to give full information to employees during negotiations, and often negotiate in bad faith (Masondo 2010: 64). This has combined with historical factors, namely the legacy of the apartheid era shopfloor battles, to create a different culture in the South Africa labour movement. As one shop steward describes it:

"There is also the co-determination agenda. Unfortunately this is done with the blessing of our sister union in Germany - IG Metall. *They forget that we come from a different school of thought*" (Blouw 01/07/2002 emphasis added).

This sentiment has been seen more recently as well. After a strike in September 2010, after a breakdown in negotiations with the AMEO, NUMSA released a statement, declaring that:

"we are compelled to take the battle to the streets...Ours will neither be a picnic nor a fan park but a metalworkers' militant action until our demands are met" (Ngobese 06/08/2010)

In one infamous case in 2000, Volkswagen was forced to dismiss over 1,380 employees at the Uitenhage plant after a prolonged industrial dispute (Bolsmann 2010: 530). The root

cause of the dispute is widely considered to be the continuing militancy of the South African trade union movement. Specifically, Volkswagen failed to 'sell' the values of the codetermination system it tried to introduce to the plant. The Work Place Forums in particular were seen by the employees as a form of co-optation (Bolsmann 2010: 526). Volkswagen has therefore attempted to introduce codetermination, and CME-style labour relations, but has faced opposition from militant unions favouring a more adversarial system.

Volkswagen has attempted to implement codetermination labour relations in its South African operations, while also encouraging similar arrangements for its suppliers. It has pursued the latter goal through initiatives run in conjunction with the South African government, while oversight and influence has been made simpler by locating many suppliers close to the Uitenhage plant. It has also shown a preference for engaging with the government cooperatively in pursuit of commercial strategies, which saw the creation of the NMBLP to begin with. Its commitment to job security, while below that of the rest of the Volkswagen supply chain, was above that of the South African industry as a whole. Overall, the company has maintained a commitment to the CME model, despite struggles with certain local conditions such as militant unionism.

Table 5.1 Volkswagen in South Africa

	In Germany	In South Africa
Business-Labour Relations	Mutually Cooperative Relations with Unions.	Attempted Cooperation With Adversarial Unions
Negotiations	Industry-wide Collective Bargaining with IG Metall	Industry-wide Collective Bargaining Through the NBF
Unions and Employer Groups	Coordinates with Unions and Workers Councils.	Member of NAAMSA and the AMEO; Cooperates with the State in Pursuing Strategic Goals
Shareholder Versus Stakeholder Value	Stakeholders Frequently Mentioned by the Company.	Heavily Invested In Local Economy. Runs Some CSR Initiatives, Including HIV/AIDS and Education Programs. Strong Oversight of Factory and Suppliers.
Job Security	Long-Term Investment in Employee Development and Training, While Providing Career Pathways.	Greater Commitment to Job Security than the South African Auto Industry as a Whole
Productivity	Training, Education and Floor-Level Expertise Stressed.	Emphasis on Training and Education.
Hierarchy	Employee Representation at all Levels; Worker Autonomy Stressed	Employee Representation Mandated by the ‘Global Labour Charter’. Employees Present on the Joint Union-Management Executive Committee

Ford

All of Ford’s hourly staff are covered by the NBF’s three year collective agreements (Ford 2007a), the most recent of which was signed in 2010. While there is limited scope within the NBF agreement for plant level negotiations, by and large Ford has the exact same working conditions, benefits, overtime arrangements etc. across its Struandale and non-zone Silverton plants. These are, in turn, broadly the same as those found at Volkswagen, General Motor, Mercedes-Benz, BMW, Nissan and Toyota plants. Furthermore, the NBF states in its

‘objectives’ that “[t]he Parties record that *co-operative* and *co-determined* relations between labour and management at all levels are essential for the success of the industry and the welfare of its workers” (NBF 2010: 7 emphasis added). This language reflects a different attitude to labour relations than the one displayed by Ford in the content analysis conducted in Chapter Three.

This sort of industry-wide bargaining is antithetical to the American LME style of industrial relations. It is also specifically unusual for Ford, despite the high unionisation rates amongst its American workforce. Negotiations between Ford and the UAW occur on a national level, but not an industry level; that is agreements are signed between Ford and Ford employees only (Ford 2011e: 32). Additionally, Ford also conducts local plant level negotiations on issues such as “layoff and recall procedures, deviations from the national guidelines for overtime assignments, promotional procedures and the rules for changing shift assignments. The local negotiations also cover a wide range of additional, purely local issues” (Ford 2011e: 32). It is therefore apparent that Ford’s negotiations in South Africa occur on a much more centralised basis than they do in America.

The South African agreement itself includes a number of provisions that are highly unusual for the LME model. For example, the implementation and provisioning of the agreement is the responsibility of a management committee, which comprises of two industry representatives, and two union representatives, including the national automobile coordinator of NUMSA and the Chairperson of the NUMSA national Shop Steward Council (NBF 2010: 15). This gives labour representatives executive influence, albeit in a somewhat limited form, over the management of the firm’s industrial relations. The agreement also includes a wage structure that dictates how employees are to be paid relative to each other, which is based on

just 7 tiers of skill levels, which apply across the entire industry (NBF 2010: 48). Meanwhile in America, Ford's pay structure applies to 22 skilled classifications, in addition to its unskilled classifications and its entry-level and ongoing classifications (UAW 2007: 19). It is thus apparent that the conditions of the NBF are more constrictive, and less flexible, than those of Ford agreements in America.

Nevertheless, in South Africa Ford has continued a "top-down" (22/07/2011) management style which is consistent with strong managerial control of the LME model. It has also exhibited a lower commitment to job security during the recent crisis than did Volkswagen. In 2008 Ford retrenched 800 workers across all of its operations; 220 of which were from the Struandale plant. This compares to Volkswagen's 400 retrenchments over the same period of time (Solidarity 2009: 6). NUMSA was dissatisfied with Ford's performance during retrenchment negotiations, with the company unilaterally announcing the lay-offs while they were still underway (Hlangani 26/09/2010). Ford also responded to the crisis by cutting working hours, which resulted in an 11 day strike at the Silverton plant in February 2010 (12/03/2010). All of this is indicative of adversarial relations on behalf of both Ford and the unions.

Furthermore, Ford is much less integrated into the South African economy than Volkswagen. Although it does currently have the target of increasing its local content to 65%, its so far only managed to reach a level of 35% (Venter 20/05/2011). This is under half of the 77% that Volkswagen has already achieved through cooperation with the South African government in initiatives such as the NMBLP. Furthermore, Ford has sought its goal through unilateral investment in its factories, such as its recent R3-billion to expand and modernise both its Struandale engine and Silverton plants (Venter 20/05/2011). Instead of asking the

government to “work with us”, as Volkswagen has, Ford’s focus has instead been on its *market* relationships. As Ford South Africa’s CEO Jeffery Nemeth explains, this includes customers and suppliers, not government:

“The launch is on schedule, and we are verifying all our processes and working closely with our supplier partners to make sure we exceed the expectations of our customers” (Venter 20/05/2011).

Ford has thus not engaged with government as Volkswagen has, indicative of an LME approach.

Like Volkswagen, Ford provides education and training programs. Also like Volkswagen, some of these are focused on the community, and can therefore be considered CSR initiatives (Ford 2011f). Other programs that focus on employees include in-house courses, e-learning, external training courses and overseas developmental assignments (Ford 2011d). However, these differ from Volkswagen’s in several ways. Firstly, they are not coordinated with the government or local universities, and are instead provided autonomously. Secondly, they are not of the scale as the ones pursued by Volkswagen. Thirdly, as is the case in America, Ford considers training and development to be the responsibility of the employees:

“Working with your supervisor, you may take advantage of opportunities - by way of coaching, mentoring, regular feedback sessions and accepting different assignments” (Ford 2011d).

The onus is therefore on the employees to elect to apply themselves for further training. Furthermore, as is again the case with Ford's operations in America, this takes place with oversight from supervisors. Therefore, Ford's training is conducted in a manner that is indicative of the LME approach, as well as being consistent with its behaviour in America, as seen in Chapter Three.

Ford does have a Code of Basic Working Conditions that applies to all of its facilities within its international network. The last assessment to be conducted on its Southern Africa operations was in 2007. It is important to note that this did *not involve any actual physical inspection of any factories*. Instead, surveys were sent to the management at each facility for them to complete. Apart from these assessments, factory managers are expected to complete regular health and safety reviews, as well as other general assessments on workplace conditions. The company does also provide a local 'hotline' where complaints can be made, however employee representatives have a very minimal role to play, in strong contrast to Volkswagen's Better Health and Safety for Suppliers project. Overall, the 2007 report concluded:

“Based on its history of knowledge and compliance with local legislation, collective bargaining agreements and Ford Motor Company global policies, it is evident that FMCSA can comply with the Code of Basic Working conditions. Robust corrective action processes are in place to monitor compliance and provide remediation” (Ford 2007a: 4).

Ford therefore has much fewer safeguards in place than Volkswagen to ensure that workers' rights are respected at its factories. However, because of the prevalence of unions in South

Africa, organisations such as the NBF have gone some way in ensuring that workers' rights are indeed respected. The 2007 report also mentions Ford's extensive work with preventing HIV/AIDS in its workplace. Nevertheless, there is a clear difference between the ways that the two firms ensure accountability towards, and respect of, their international workforce.

Ford has been forced to concede to several policies that are antithetical to its usual LME approach; specifically industry-wide bargaining. However, it has been able to retain several of its own processes, such as 'top down' management style and placing the responsibility of training on employees. Furthermore, it has retained an adversarial approach to its unions, as indicated by actions such as unilaterally making decisions whilst supposedly in consultation with NUMSA. It also showed less commitment to job security during the recent recession. Lastly, it has limited safeguards in place to protect workers, outside of those that exist because of the institutional environment in South Africa, i.e. high unionisation rates. Indeed, the NBF and the strength of NUMSA was considered by Ford to be reason enough to assume that working conditions in South Africa were up to standard. It has therefore showed much less involvement in monitoring labour relations. Overall, Ford has adapted to certain local conditions, whilst maintaining a general LME approach.

Table. 5.2 Ford in South Africa

	In America	In South Africa
Business-Labour Relations	Mutually Adversarial Relations With Unions	Mutually Adversarial Relations With Unions
Negotiations	Nationally with UAW as a Firm, with some Plant Specific Negotiations as well.	Industry-wide Collective Bargaining Through the NBF
Unions and Employer Groups	Negotiates with UAW.	Member of NAAMSA and the AMEO
Shareholder Versus Stakeholder Value	Shareholders Primary	Low Involvement in the Local Economy. Runs Some CSR Initiatives, Primarily HIV/AIDS Prevention and Education. Weak Oversight of Factories and Suppliers.
Job Security	Job Security Through Negotiations with UAW, However many Retrenchments over the last 4 years.	Low Commitment to Job Security During the Recent Recession
Productivity	The Cost and Flexibility of Labour Stressed.	Education Neglected, Despite Local Skill Shortages
Hierarchy	‘Top Down’.	‘Top Down’

Findings

First it should be clear that both Ford and Volkswagen had to adapt their respective approaches to the labour conditions that existed in South Africa. In the instance of Ford, this required engaging in industry-wide negotiations, which in turn resulted in more ‘rigid’ arrangements and greater employee influence than would usually be conceded by the firm. In the case of Volkswagen, this has required dealing with militant unions and adversarial industrial relations, significantly weakening the company’s codetermination agenda. However, despite these obstacles, Volkswagen has nevertheless pursued this agenda in South Africa. This has also applied to its suppliers as well.

Table 5.3 Volkswagen and Ford in South Africa Compared

	Volkswagen	Ford
Business-Labour Relations	Attempted Cooperation With Adversarial Unions	Mutually Adversarial Relations With Unions
Negotiations	Industry-wide Collective Bargaining Through the NBF	Industry-wide Collective Bargaining Through the NBF
Unions and Employer Groups	Member of NAAMSA and the AMEO; Cooperates with the State in Pursuing Strategic Goals	Member of NAAMSA and the AMEO
Shareholder Versus Stakeholder Value	Heavily Invested In Local Economy. Runs Numerous CSR Initiatives, Including HIV/AIDS and Education Programs	Has Lower Involvement in the Local Economy. Runs Some CSR Initiatives, Primarily HIV/AIDS Prevention.
Job Security	Greater Commitment to Job Security During the Recent Recession	Lower Commitment to Job Security During the Recent Recession
Productivity	Emphasis on Training and Education	Education Neglected, Despite Local Skill Shortages
Hierarchy	Employee Representation Mandated by the 'Global Labour Charter'. Employees Present on the Joint Union-Management Executive Committee	'Top Down'

Overall, Volkswagen has been much more involved in the broader economy. It has cooperated with local governments, as well as the Department of Labour, on several key initiatives. It has sought to steer local developments to be conducive of its strategic vision, in consultation with the state. This has involved a lot of give and take between the firm and various levels of government. The NMBLP is just one product of this relationship; the company's range of education initiatives are others. Volkswagen has also exhibited a greater willingness to invest in the future longevity of auto industry in South Africa through ambitious local content targets. These targets also, however, represent important strategic benchmarks for the company's export growth. Overall, Volkswagen has pursued

codetermination, even to the detriment of its commercial interest, as is the case with the 2000 strike. Despite the significant threats posed by low trust and militant unions, some adaptation of the CME model is still clearly present.

Ford on the other hand has remained more distant from the industry as a whole. It does not have the sort of relationship with the government that Volkswagen has, nor has it shown the same level of commitment or interest in education and training, nurturing local suppliers, and employee job security. It has retained its strict managerial style despite the more CME-style industry-wide labour environment. Furthermore, it has appeared to take less interest in assessing and monitoring its South African operations and what limited work has been done in this area has excluded employee input. Overall, despite some considerable concessions in signing up to the voluntary NBF, Ford still pursues labour relations more consistent to the LME model when compared with Volkswagen.

Conclusion

This chapter has established the both Ford and Volkswagen have retained their respective strategies with regard to industrial relations in their South African operations. These are consistent with not only their behaviour in their home states, but also with the LME and CME models. Both firms have, however, had to make some concessions to adapt to local circumstances. In the case of Ford, this has meant signing up to industry-wide, often rigid contracts. In the case of Volkswagen, this has meant dealing with militant and adversarial unions. The findings thus indicate the national identity of firms is important in determining their behaviour when operating in foreign environments, in spite of supposed pressures calling for convergence.

Conclusion

The research conducted by this thesis has indicated that the national identity of Ford and Volkswagen continue to have an impact on their strategies and behaviours when they are operating in a foreign institutional environment. Path dependency thus appears to outweigh any converging affects these foreign environments may have. This is directly opposed to arguments that in an era of 'global' competition and capital mobility, firms will be unable to sustain such differences. In Chapter Three the thesis argued that the industrial relations of these two firms were consistent with those expected under the VoC approach; that is codetermination and market based strategies. It is the presence of these strategies in the South African export zones that has led to the above conclusions. This is particularly telling, as EPZ's in a developing country such as South Africa are precisely the institutional environment in which the 'pressures of globalisation' are often expected to be most prevalent.

However, in Chapter Four, it was argued that EPZ's are not the 'same places' of neoliberalism they are often seen as, but are instead the products of the environments of the countries they are in, and what strategies are being pursued by those counties. In the case of South Africa, this actually meant considerable government involvement in the zones, providing infrastructure and other services. The state was also unable to quell the power of the unions in these zones. The result was, in the case of Ford, strong movement towards more codetermination-like arrangements, such as industry-wide collective bargaining. Volkswagen, too, has struggle with certain conditions in South Africa -specifically militant unionism- which has made its usual strategies less affective. However, while there has been some divergence from the CME and LME models, these have by no means seen wide-scale convergence by the two firms along one strategy; least of all a purely neoliberal strategy.

However there are some limitations associated with this study; notably, that this case study examined only two very similar firms in two very similar foreign environments. Firstly, it may be that case that the above results were more a result of South Africa's institutional environment, not the path dependency of the firms. To address this, future studies could examine firms across all of the EPZ's they operate in, or across all their factories throughout the developing world. Secondly, the automotive industry is highly technical, and requires strict quality controls. Other industries, such as textiles, can rely on low-cost unskilled labour to produce adequate quality products, while defects in products are considerably less costly. Therefore, the path dependency of Ford and Volkswagen may have more to do with the industry they are in. To address this, future studies can take larger samples, utilising a more quantitative approach involving numerous firms across several industries. Finally, wide generalisation about the nature of 'American' and 'German' strategies cannot be made from such a small sample. The above quantitative approach would also address these issues.

However, despite these real limitations, the research conducted in this thesis has yielded conclusive results as to the path dependency of MNC's when operating in foreign institutional environments in the area of industrial relations. This path dependency exists in spite of claims that globalisation and its demands, specifically on the global south and its EPZ's, will necessitate convergence.

Appendix- Coding Results

Codetermination

	VW AR	Ford AR	VW CoC	For CoC	VW Total	Ford Total
Codetermination	57	10	32	21	89	31
Quality	6	0	1	0	7	0
Quality	1	0	1	0	2	0
Innovation	2	0	0	0	2	0
Standardisation	3	0	0	0	3	0
Supporting Employees	12	2	3	0	15	2
Supporting Employees	6	0	2	0	8	0
Employee Personal Development	2	0	0	0	2	0
Employee Satisfaction	1	0	1	0	2	0
Job Security	3	2	0	0	3	2
Coordinating With Employees	14	8	9	7	23	15
Coordinating With Employees	4	0	7	0	11	0
Autonomy of labour	0	0	1	0	1	0
Mutual Interests and Obligation	3	0	0	0	3	0
Value of Employees to Business Success	0	0	0	3	0	3
Relationships	5	0	0	3	5	3
Unions	2	8	1	1	3	9
					0	0
Training	25	0	1	0	26	0
Training	17	0	1	0	18	0
Recruitment	3	0	0	0	3	0
Expertise	5	0	0	0	5	0
Rules Laws and Regulations	0	0	18	14	18	14
Rules Laws and Regulations	0	0	14	12	14	12
Internal Accountability	0	0	4	2	4	2

Market Forces

	VW AR	Ford AR	VW CoC	Ford CoC	VW Total	Ford Total
Market Forces	2	13	4	8	6	21
					0	0
Industrial Action	0	1	0	0	0	1
Productivity	0	3	0	0	0	3
Productivity	0	1	0	0	0	1
Flexibility	0	2	0	0	0	2
Shareholders	0	0	1	0	1	0
					0	0
Business Performance	2	4	2	3	4	7
Business Performance	0	0	1	2	1	2
Risk Management	0	0	1	1	1	1
Financial Obligations and HR Costs	2	4	0	0	2	4
Market Conditions	0	5	1	5	1	10
Market Conditions	0	0	1	3	1	3
Competition	0	5	0	2	0	7

Social Concerns

	VW AR	Ford AR	VW CoC	For CoC	VW Total	Ford Total
Social Concerns	4	0	8	12	12	12
Gender Equity	1	0	0	0	1	0
Community	1	0	1	0	2	0
Company Values	1	0	2	4	3	4
Stakeholders	1	0	3	3	4	3
Reputation	0	0	2	5	2	5

Total Codes

	Codetermination	Market Forces	Social Concerns
Ford	31	21	12
Of which is Code of Conduct	21	8	12
Of which is the Annual Report	10	13	0
Volkswagen	89	6	12
Of which is Code of Conduct	32	4	8
Of which is the Annual Report	57	2	4
Total	120	27	24

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