

Cambridge University Press

978-0-521-02764-9 - Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage

H. Jeffrey Leonard

Frontmatter

[More information](#)

Pollution and the Struggle for the World Product

Cambridge University Press

978-0-521-02764-9 - Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage

H. Jeffrey Leonard

Frontmatter

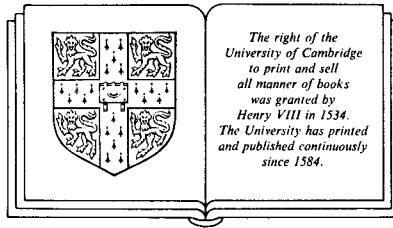
[More information](#)

Pollution and the Struggle for the World Product

Multinational Corporations, Environment,
and International Comparative Advantage

H. JEFFREY LEONARD

The Conservation Foundation



CAMBRIDGE UNIVERSITY PRESS

Cambridge

New York New Rochelle Melbourne Sydney

Cambridge University Press

978-0-521-02764-9 - Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage

H. Jeffrey Leonard

Frontmatter

[More information](#)

CAMBRIDGE UNIVERSITY PRESS
Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo

Cambridge University Press
The Edinburgh Building, Cambridge CB2 2RU, UK

Published in the United States of America by Cambridge University Press, New York

www.cambridge.org
Information on this title: www.cambridge.org/9780521340427

© Cambridge University Press 1988

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 1988
This digitally printed first paperback version 2006

A catalogue record for this publication is available from the British Library

Library of Congress Cataloguing in Publication data

Leonard, H. Jeffrey.

Pollution and the struggle for the world product: multinational corporations, environment, and international comparative advantage
H. Jeffrey Leonard.

p. cm.
Includes index.

ISBN 0 521 34042 X

1. Industrialization – Environmental aspects. 2. Pollution.
3. International business enterprises. 4. Comparative advantage
(Commerce) I. Title.

HD75.6.L46 1988
338.6'042 – dc19 87–17766
CIP

ISBN-13 978-0-521-34042-7 hardback
ISBN-10 0-521-34042-X hardback

ISBN-13 978-0-521-02764-9 paperback
ISBN-10 0-521-02764-0 paperback

Cambridge University Press

978-0-521-02764-9 - Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage

H. Jeffrey Leonard

Frontmatter

[More information](#)

Contents

<i>List of tables</i>	<i>page</i> vii
<i>Preface</i>	ix
Introduction	1
1 The dynamics of international trade and industrial location	8
2 Industrial-development strategy and the role of multinational corporations	30
3 Pollution and comparative advantage in industrial production	54
4 Environmental regulations and the industrial-flight hypothesis	83
5 Pollution and industrial strategy in four rapidly industrializing countries	117
6 Bargaining for the right to pollute	156
7 The politics of pollution and multinational corporations in rapidly industrializing countries	191
8 Theoretical implications and policy recommendations	231
<i>Index</i>	247

Cambridge University Press

978-0-521-02764-9 - Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage

H. Jeffrey Leonard

Frontmatter

[More information](#)*Tables*

2.1	Share of developing-country exports in the consumption of selected manufactured goods in industrial countries, 1970–80	<i>page</i> 38
4.1	New plant and equipment expenditures for pollution abatement, 1973–84	89
4.2	Pollution-abatement expenditures as a percentage of total new plant and capital expenditures, 1973–84: all manufacturing and select industries	90
4.3	Sampling of conflicts over industrial facilities in the United States, 1970–78	91
4.4	Direct investment abroad by U.S. companies, 1973–85: all manufacturing, chemicals, and mineral processing	95
4.5	Percentage of U.S. direct investment abroad in less-developed countries, 1973–85: all manufacturing, chemicals, and mineral processing	97
4.6	Direct investment by U.S. companies in individual countries, 1973–85: chemical industries	98
4.7	Direct investment by U.S. companies in individual countries, 1973–85: mineral-processing industries	99
4.8	Direct investments by U.S. chemical and mineral-processing industries in key rapidly industrializing countries, 1980 and 1984	100
4.9	Percentage chemical and mineral-processing industries of total U.S. direct investment in manufacturing for selected rapidly industrializing countries, 1973–85	101
4.10	Annual capital expenditures by majority-owned foreign affiliates of U.S. corporations, 1973–86	103

Cambridge University Press

978-0-521-02764-9 - Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage

H. Jeffrey Leonard

Frontmatter

[More information](#)

viii

Tables

4.11	Percentage of annual capital expenditures by majority-owned affiliates of U.S. corporations made in less-developed countries, 1971–86	104
4.12	Annual capital expenditures by majority-owned foreign affiliates of U.S. companies, 1976–86: chemical industry	106
4.13	Annual capital expenditures by majority-owned foreign affiliates of U.S. companies, 1976–86: mineral-processing industries	108
4.14	U.S. imports, 1970–84: all imports, chemicals, and processed minerals	109
4.15	Exports by majority-owned U.S. affiliates to the United States, 1966–77: all manufactured goods, chemicals, and processed minerals	110
4.16	Percentage of U.S. imports from less-developed countries and centrally planned economies, 1970–84: chemicals and metals	112

Cambridge University Press

978-0-521-02764-9 - Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage

H. Jeffrey Leonard

Frontmatter

[More information](#)

Preface

Economic historians may well look back on the last quarter of the twentieth century as marking the decline of the pattern of world trade and industrial production that had been the hallmark of the two previous centuries – the international division of labor under which a small number of core manufacturing countries accounted for an overwhelming percentage of global industrial production and a large number of periphery or developing countries provided raw materials and simple primary products to feed the industrial economies. This transition has been set in motion by a number of interactive forces, including

- the ascendance of increasingly stateless multinational corporations bent on maximizing profits and minimizing production costs through the integration of global production units,
- the internationalization of investment capital and financial markets,
- the emergence of a new wave of rapidly industrializing nations in the periphery, and
- the evolution toward “postindustrial” economies that has commenced in the United States, Japan, and a few countries of Europe.

In the midst of these forces – trying to shape, cope with, and stave off their impacts – stand the nearly two hundred individual nation-states that constitute the postcolonial political world. In general, the industrialized nations are trying to keep up the pace of innovation necessary to remain competitive in highly technological industries and at the same time to hold onto a critical mass of low-technology industries to maintain current levels of employment. Industrializing nations want to build indigenous industrial capacity and to entice industries from the industrialized world to redeploy manufacturing operations in their direction. This is what Helmut Schmidt described as the “Struggle for the World Product” (*Foreign Affairs* 52 [April 1974]:437–451) that forms the backdrop to the study presented in this book.

Most nation-states have responded to this struggle in a more or less concerted fashion by seeking to establish and maintain their special comparative advantage in industrial production. Some countries, notably the United States, still only discuss piecemeal industrial policies, such as those that promote export production, “national competitiveness,” and “rein-

Cambridge University Press

978-0-521-02764-9 - Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage

H. Jeffrey Leonard

Frontmatter

[More information](#)

x

Preface

dustrialization,” or that seek to eliminate “unfair trade practices” of competing nations. Other countries, especially those in which national development planning is a more formalized process, have elaborated comprehensive industrial strategies that identify specific “manufacturing niches” or areas of specialization for a country and develop the appropriate mix of incentives to attract desired industries. These are the policy weapons with which nation-states have armed themselves to engage in this historical struggle.

Although recent political and economic events have accentuated that economic power is increasingly important in world politics, it is evident that many political factors will help to determine whether the struggle for the world product that continues into the twenty-first century will be carried out as a zero-sum game or as a gradual redivision of a growing pie. Will the dangers of a heated trade war among the advanced industrial nations lead to increasingly managed and negotiated flows of trade and investment? Can the industrialized nations find the “space” in their economies to keep their markets open and enable a growing number of newly industrializing nations to pull themselves up by the export “bootstrap”? Can the large economic “dropouts” from the international economic system – notably the Soviet Union, China, and Eastern Europe – be reintegrated and find their own special niches of competitiveness in international markets? These are the major issues that will help to determine whether the struggle for the world product culminates in war or in peace.

The study presented in this book forms but one tiny piece of the global economic picture. It seeks to isolate one set of contemporary factors – public concern about industrial pollution and pollution-control regulations – and to examine what incremental influence they may have had during the 1970s and 1980s on the evolution of international comparative advantage in industrial production. In the process, an effort is made to shed light on some of the macro forces shaping the world economy and the micro responses engineered by nation-states and major corporate actors that determine where in the world individual production plants are located.

This book grew out of my doctoral dissertation, presented to the Department of Politics at Princeton University in 1984. Three people at Princeton, in particular, helped to frame my conceptualization of the issues addressed. The advice and gentle channeling efforts of David Morell in the early stages were instrumental in structuring the long-term research agenda that has culminated in this book. The political-economic perspective of international trade and investment that comes through in the work has been significantly influenced by Robert Gilpin, as anyone who has

Cambridge University Press

978-0-521-02764-9 - Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage

H. Jeffrey Leonard

Frontmatter

[More information](#)

Preface

xi

read *U.S. Power and the Multinational Corporation* and his ensuing works will recognize. Finally, I am deeply indebted to Henry Bienen, who supported and encouraged my work from beginning to end, as professor, adviser, friend, and director of Princeton's Research Program in Development Studies.

In addition, I wish to acknowledge the thoughtful comments received from Laura Katz Olson, James L. Payne, and Peter Sperlich, who served as the American Political Science Association's selection committee for the 1986 Harold D. Lasswell Award. Their decision to honor my dissertation with this award for the best dissertation completed in 1984 or 1985 in the field of public policy provided strong inspiration for the process of reforming a dissertation into a book.

Much of the empirical research presented herein was conducted in conjunction with my work on the Industrial Plant Siting Project carried out by The Conservation Foundation from 1978 to 1983. A number of my colleagues from The Conservation Foundation read and commented on various drafts of the manuscript and some of the articles presenting excerpts of the research. I am indebted to Christopher Duerksen, Robert Healy, Frances Irwin, Terry Davies, and Jack Noble for their critical comments and continued encouragement.

While the research for this book was in progress, several institutions provided me with logistical and financial support, as well as comfortable environments in which to work. For the duration, facilities and support from The Conservation Foundation in Washington, D.C., were vital. Without the continued personal support of the Foundation's president, William K. Reilly, this work could not have been completed. Two institutes affiliated with Princeton University, the Research Program in Development Studies and the Center for Energy and Environmental Studies, also provided office space and clerical assistance. I am grateful to the respective directors of those centers, Henry Bienen and Rob Socolow, for their patience and for running the bureaucratic interference that permitted my unusual affiliation within the Princeton University systems.

Support for the research undertaken for this study was provided by a number of institutions. Much of the research was conducted under the auspices of The Conservation Foundation's Industrial Siting Project, supported generously by the German Marshall Fund, the Ford Foundation, and the Richard King Mellon Foundation. Supplemental support for the research in Europe was provided by the Princeton Committee for West European Studies. The research in Mexico was underwritten by the working capital fund of The Conservation Foundation and the Center for the Study of World Politics.

A number of people stand out for their assistance in researching, pro-

Cambridge University Press

978-0-521-02764-9 - Pollution and the Struggle for the World Product: Multinational Corporations, Environment, and International Comparative Advantage

H. Jeffrey Leonard

Frontmatter

[More information](#)

xii

Preface

ducing, and editing the original manuscript from which this book derives: Brad Rymph, Debbie Johnson, Bill Jones, Bernice Hudson, Marie-Claude Helman, Robin Myer, Lindsey Rodes, Michelle Krichten, and Tony Brown. Barr Hogen, Margaret Cook, Cecilia Danks, Thomas Rodes, and Jonathan Roulon assisted in updating the data and reference materials in 1986 and 1987. I also am grateful to Frank Smith, Janis Bolster, and Debra Menzell at Cambridge University Press and two anonymous readers whose collective editorial suggestions all greatly improved the manuscript as it moved through the production process.

I wish to express my deepest gratitude and love to my family for everything that they have given to me: my parents, George and Phyllis Leonard, deeply caring, selflessly devoted, and quietly proud; my in-laws, John (who died before this book could be completed) and Jane Pisano, ever supportive and nurturing; and most of all my wife, Carolyn Pisano Leonard, not only for her intellectual support and continuing love but also for the precious gifts that have arrived in the years leading up to publication of this book: our children, Michael and Anna.

*Silver Spring, Maryland
January 1988*