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Uneven and combined development and unequal exchange: the second wind of neoliberal 'free trade'?[*]

Abstract

With capitalist social relations emerging in a prior system of absolutist states in Europe, the outward expansion of capitalism through conditions of uneven and combined development became dependent on the existence of multiple political entities. States in turn are brought into relations of unequal exchange within the global economy. This paper analyses the way in which current neoliberal 'free trade' policies are related to these fundamental capitalist dynamics, which further deepen processes of uneven and combined development as well as unequal exchange.

At the beginning of the twentieth century, Leon Trotsky observed the particular way Russia was integrated into the world economy. Responding to military pressures by Western countries, Russia, still based on feudal social relations within an overall context of uneven development, had embarked on a policy of industrialisation with a focus on production related to military needs. Financed mainly by foreign capital, small, highly concentrated pockets of advanced industry were combined with traditional social forms of organisation in feudal Russia. These were the conditions of 'uneven and combined development'. Trotsky's participant-observation analysis of Russia in the late-nineteenth and early-twentieth century, focused predominantly on the role of foreign lending and investment in the industrialisation of backward conditions. Since then, however, capitalist expansion through relations of uneven and combined development has

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not only been pushed through foreign investment in developing countries, it has also been pursued through so-called 'free trade' policies, used to open up other countries along these dynamics and integrate them into relations of unequal exchange. Uneven and combined development has experienced an increasing scholarly interest in recent years. This literature, however, has hardly attempted to engage with the role of 'unequal exchange' and how it might relate to its considerations. The purpose of this paper is to engage these dynamics and begin to consider how unequal exchange in 'free trade' relations may be a key dynamic relating to overall processes of uneven and combined development.

In the next section, we will first discuss processes of uneven and combined development. This will also include an assessment of the possibility of developmental catch-up. Unequal exchange, in turn, will be dealt with in the second main section. Traditionally, it has been world-systems analysis and dependency theorists who have developed the notion of unequal exchange. We will critically engage with their particular definition focusing on monopoly production as the source of unequal exchange. It is argued that differentials in productivity rates are at the heart of unequal exchange. The final section will bring these discussions together and outline how unequal exchange in contemporary 'free trade' relations is connected to processes of capitalist expansion in terms of uneven and combined development.

Uneven and combined development: caught up in catch-up?

From a 'geographical standpoint' Rosa Luxemburg contemplated the uneven development of capitalism shaping the Russian state and industrialisation in Poland, leading to the creation of cities such as Łodw, a 'Polish Manchester', as the mainspring of primitive accumulation and the rearing of capitalism (Luxemburg 1898/1977: 102, 118, 157). More directly, Leon Trotsky introduced the notion of uneven and combined development in his *Results and Prospects* (1906), when analysing the particular location of Russia within the conditions of capitalist expansion. While Russia was economically 'backward' based on a large sector of inefficient agriculture indicating the *unevenness* of development in relation to advanced Western countries, this was *combined* with a number of small pockets of highly developed industries, especially in military-related production that became established as a result of competition from the West. 'The Russian State, erected on the basis of Russian economic conditions, was being pushed forward by the friendly, and even more by the hostile, pressure of the neighbouring State organisations, which had grown up on a higher economic basis' (Trotsky 1906/2007: 27). As George Novack (1972: 98; 1976: 103) summarised, *unevenness* is present in the emergence and endurance of variations and gradations in developmental conditions between social formations which have been historically *combined* through mixing precapitalist relations of one kind with capitalist relations to result in mixed modes with contradictory characteristics. Foreign capital, especially, drove industrialisation in Russia leading to a situation in which a highly centralised and advanced working class in certain sectors and specific geographical locations, especially St. Petersburg and Moscow, confronted a rather weak national bourgeoisie (Trotsky 1929/2007: 196; Trotsky 1932/2008: 8). Cities such as St. Petersburg and Moscow experienced a modernism of underdevelopment, a contradictory combination of enforced backwardness, through re-feudalisation that precluded the emergence of an internal dynamic of development. These city-forms were 'in the midst of forms and symbols of enforced modernisation' due to the imperatives of developmental catch up (Berman 1982: 193).

On the basis of the particularities of uneven and combined development, Trotsky then developed his notion of 'permanent revolution', i.e. the direct continuation from the bourgeois into the socialist revolution. As Marx (1848/1986: 270) presaged in his address to the Central Committee of the Communist League, 'it is in our interest and our task to make the revolution permanent, until all more or less possessing classes have been forced out of their position of dominance, [and] the proletariat has conquered state power'. Formulated in *The Permanent Revolution* [1929], Trotsky viewed the imperative of proletarian struggle as an uninterrupted revolution that needed to widen its base in order to consolidate power to argue that 'permanent revolution . . . means a revolution which makes no compromise with any single form of class rule . . . a revolution whose every successive stage is rooted in the preceding one and which can end only in the complete liquidation of class society' (Trotsky 1929/2007: 12). Following the upheaval across Russia in 1905, Rosa Luxemburg (1906/2005: 73) thus summarises the maelstrom of the period:

> The present revolution realises in the particular affairs of absolutist Russia the general results of international capitalist development, and appears not so much as the last successor of the old bourgeois revolutions as the forerunner of the new series of proletarian revolutions of the West. The most backward country of all, just because it has been so unpardonably late with its bourgeois revolution, shows ways and methods of further class struggle to . . . the most advanced capitalist countries.

More recently, some of these points on the relationship between uneven and combined development and capitalism as a mode of production have once again been taken up. On one hand, Justin Rosenberg understands uneven and combined development as a transhistorical phenomenon and, thus, as intrinsic to the historical process itself (Rosenberg 2006: 309). In accord with the argument of Hannes Lacher (2006) and Benno Teschke (2003), he emphasises that capitalism emerged in an already existing international states-system. Because this inter-societal plurality precedes capitalism, he argues, such a transhistorical notion is necessary to an understanding of geopolitics. 'The issue of the geopolitical cannot be fully grasped from within a theory of capital' (Callinicos and Rosenberg 2010: 171). Admittedly Trotsky (1929/2004: 24) asserted that it is 'necessary to understand this unevenness correctly, to consider it in its full extent, and also to extend it to the pre-capitalist past'. For Rosenberg, this licenses a warrant to stretch uneven and combined development as a transhistorical essence, reaching 'all the way back into the socio-ecological unevenness characterising the earliest forms of social existence' (Rosenberg

2010: 186). On the other hand, Alex Callinicos accepts the relevance of uneven and combined development beyond the capitalist historical period but argues that its concrete dynamic within a specific historical period cannot be understood without reference to the dominant mode of production. Uneven and combined development may have transhistorical elements as a phenomenon but it is best regarded as specific to a particular mode of production (Callinicos and Rosenberg 2010: 176). Concurrent with Neil Smith (1984/2008: 4) 'uneven development is the systematic geographical expression of the contradictions inherent in the very constitution and structure of capital' and thus unique to capitalism. If treated as a universal process, uneven and combined development can therefore be reduced to a triviality telling us very little about capitalism and capitalist restructuring (see Smith 2006: 182).

While the expansive dynamic of uneven and combined development within feudalism was driven by political accumulation, i.e. the conquering of new territories and people (Brenner 1985b: 238; Teschke 2003: 99), the specific economic pressures of competitiveness within capitalism as a mode of production can only be grasped through an understanding of the way exploitation is based on wage labour and the private ownership of the means of production. Robert Brenner, in line with this understanding and through a detailed focus on the organisation of social property relations, argues that it was in medieval England that capitalist social relations of production emerged first. It was in England that a specific set of social property relations based on a landlord/capitalist tenant/wage-labourer structure, as well as production improvements in agriculture, became established, which then led to a situation in which both landlord and tenant depended on the market for their social reproduction (Brenner 1985a: 46-9). Importantly, the specificity of this development was not linked to the emerging world market and the trade in luxury goods for mercantilist elites, but to the development of a unique domestic economy based on a growing mass market for cheap basic goods such as food stuffs and cotton cloth (Brenner 2001: 233; Wood 2002a: 82). 'This system was unique in its dependence on intensive as distinct from extensive expansion, on the extraction of surplus value created in production as distinct from profit in the sphere of circulation, on economic growth based on increasing productivity and competition within a single market—in other words, on capitalism' (Wood 2002b: 23). And it was this dependence, which infused a dynamic of competitiveness into the production system, leading to constant technological innovation and increasing specialisation of production methods first in agriculture, then within the wider production of the industrial revolution. It is this dynamic, which fuels the relentless search for higher profit levels and makes capitalism such a dynamic production system. However, the inner logic of capitalism in this relentless search for higher rates of profits also implies that there is an inner tendency towards crisis. While the constant search for higher profits through the introduction of new machinery and technology into the production process may be a logical thing to do for the individual capitalist, for capitalism as a whole it is disastrous. In other words, if all capitalists attempt to produce more goods at cheaper prices and with fewer workers, then eventually there will be a lack of demand for their products resulting in a crisis of overproduction. 'Individual capitalists, in short, necessarily act in such a way as to de-stabilise capitalism' (Harvey, 2006: 188).

Rosa Luxemburg analysed in detail the crisis tendencies of capitalism and the way crises are temporarily overcome. In order to ensure a constant increase in the accumulation of surplus value, capital relies on bringing non-capitalist space into the capitalist social relations of production in an outward expansionary dynamic, creating hothouse conditions for capital accumulation in non-capitalist environments. Famously, this is expressed in *The Accumulation of Capital* [1913] by analysing the creation and expansion of the conditions for capital accumulation in non-capitalist environments.

> From the very beginning, the forms and laws of capitalist production aim to comprise the entire globe as a store of productive forces. Capital, impelled to appropriate productive forces for purposes of exploitation, ransacks the whole world, it procures its means of production from all corners of the

> earth, seizing them, if necessary by force, from all levels of civilisation and from all forms of society . . . It becomes necessary for capital progressively to dispose ever more fully of the whole globe, to acquire an unlimited choice of means of production, with regard to both quality and quantity, so as to find productive employment for the surplus value it has realised (Luxemburg 1913/2003: 338).

Hence a focus therein on processes of primitive accumulation in dispossessing peasant producers to create a reserve of labour power in non-capitalist territories based on the wage system; on the role of the non-capitalist world in absorbing commodities and surplus value; and on how states are drawn into the credit system to offset crisis conditions whilst subject to foreign interventionist, militarist, and imperialist relations. This is the 'whirlpool of capitalist development' that grants a certain imprint or 'levelling of international character' to the development and formation of the states-system (Luxemburg 1898/1977: 120-1). Behind international loans and the credit system and the role of the built environment and fixed capital as an essential spatial arrangement for the absorption of surplus value—through railroad building, roads, dams, irrigation systems, warehouses, schools, hospitals, universities, militarism was famously traced by Luxemburg as 'the executor of the accumulation of capital' (Luxemburg 1913/2007: 419). Growing militarism and violence was singled out as a hallmark of the expansion of capital in gaining possession of the means of production and labour power through colonialism and imperialism, including periods of permanent occupation of foreign territories. The classical examples provided of the manner in which capital is exported through wars, of 'the most modern capitalist military technique', are British policy in India, French policy in Algeria, and through the extension of commodity relations by European powers in China (Luxemburg 1913/2007: 367).

Ray Kiely engages critically with Luxemburg's analysis of the outward dynamic of the capitalist mode of production. Historically, capitalist accumulation did not functionally depend on absorbing ever more non-capitalist space. Before World War I, for example, most capital was invested in, and trade took place between, industrialised countries (Kiely 2010: 79-81). And yet, at the same time it is a fact that capitalism did expand outwardly until encompassing the whole globe. Already in 1848 Marx and Engels wrote about how capital overcomes periodic crises 'on the one hand through the enforced destruction of a mass of productive forces; on the other through the capture of new markets and a more thoroughgoing exploitation of old ones' (Marx and Engels, 1848/1998: 18). The enforced destruction of productive forces and a more intensive exploitation of existing capitalist social relations of production refer to Kiely's emphasis on developments internal to industrialised countries. The capture of new markets, however, refers to outward expansion. In other words, we can summarise that while outward expansion is not the only way capital attempts to overcome crises, it is clearly one significant aspect to it.

In his discussions of uneven and combined development, Trotsky argued that backwardness in a general situation of unevenness can actually be an advantage:

> A backward country assimilates the material and intellectual conquests of the advanced countries . . . a repetition of the forms of development by different nations is ruled out. Although compelled to follow after the advanced countries, a backward country does not take things in the same order. The privilege of historic backwardness—and such a privilege exists—permits, or rather compels, the adoption of whatever is ready in advance of any specified date, skipping a whole series of intermediate stages. Savages throw away their bows and arrows for rifles all at once, without travelling the road which lay between those two weapons in the past (Trotsky 1932/2008: 4).

The history of capitalist modernity expressed through conditions of uneven and combined development should not therefore be considered as an uninterrupted temporal sequence of stages. To do so would be to produce an aspatial historical sociology of uneven and combined development, reduced to stages of advance and backwardness without allowing for differing spaces within the historical geography of capitalist development. 'This convening of contemporaneous geographical differences into temporal sequences, this turning it into a story of "catching up", occludes present-day relations and practices and their relentless production, within currents rounds of capitalist globalisation' (Massey 2005: 82). Thus whilst the possibility of developmental catch up between states was indicated in classics of Marxist economic and historical sociology this was not at the neglect of acknowledging alternative spatial configurations of uneven and combined development. However, added to the register of pathways to capitalist catch-up with England were instances of so-called ‘bourgeois revolutions from above’ in the cases of Germany, Italy, the United States, and Japan. The central feature of such bourgeois revolutions being the change brought about in the character of the state (Callinicos 1989: 160). Some of these instances of developmental catch-up may also be regarded as examples of a passive revolution when ‘an ever more extensive ruling class’ was formed through ‘gradual but continuous absorption, achieved by methods which varied in their effectiveness, of the active elements produced by allied groups—and even of those which came from antagonistic groups and seemed irreconcilably hostile’ (Gramsci 1971: 58-9; see Morton 2010). Neil Davidson, for example, adds the example of Scotland to these instances of catch-up, situated as it was and thus able to draw on England’s earlier advances (Davidson 2010: 10). At the same time, though, he warns against generalising from the Scottish experience. ‘No other country would ever complete the transition from feudal agriculture to capitalist industrialisation so quickly or completely. The moment was too brief, the result so uniquely decisive, for any theoretical generalisation from this experience to be possible’ (Davidson 2006a: 13). In short, only a few examples of states that have succeeded in establishing developmental catch-up have been considered while the predominant patterning of uneven and combined development remains fractured through multiple spatio-temporal territories. Those state forms that did nevertheless mobilise imperialist expansion to sustain the process of catch-up were generally located in the ‘advanced’ zones of the world economy. The more common forms of capitalist transition—in some cases as instances of passive revolution—in the post-colonial world were experienced as a blocked form of dependent development (see Morton 2010: 315-20; Morton

2011: 35-9). Conceiving of this spatially, it is possible to distinguish between primary and secondary uneven development.

> Primary uneven development arises because of the more dynamic expansion of capitalist countries relatively to countries in which capitalism is incipient. This difference is inherent in the social relations of capital. Secondary uneven development occurs within the group of predominantly capitalist countries, due to competition and adoption of technical innovations within the social relations of capital. The former generates divergence; the latter exhibits a cyclical pattern of convergence and divergence, with convergence the long term tendency (Weeks 2001: 23).

The so-called 'emerging markets', particularly China, are instructive in this regard in terms of the acclaim granted to them as countries developing from conditions of globalisation and 'free trade'. Indeed, Chinese economic growth with double digit levels of GDP increases year-on-year is very impressive. What this picture, however, overlooks is, first, that uneven and combined development as a key dynamic of capitalist social relations of production is not only taking place between countries and regions but also within countries (Davidson 2010: 15-16). 'They may have adopted the most modern forms of technology, industrial organisation and scientific thought in certain areas, but most of society remains at a much lower level' (Davidson 2006b: 211). Hyper-modern coastal regions are counterpoised to backward inland areas in China, for example. Second, the highly impressive GDP figures hide the miserable working conditions of millions of Chinese workers, who work long hours for low wages in often hazardous work places and without access to basic labour rights (Cantin and Taylor 2008: 62-7). As for Gross National Income per head, for example, the gap between China and the U.S. is enormous. In 2010, 'China's $4,260 was only 9 percent of the U.S.'s $47,240. In order, to close the per capita gap in 30 years, Chinese GDP per head would have to grow about 10 percent per year for three decades, or expand to nearly 18 times its current size in that period' (Hardy and Budd 2011: 30-31). In short, developmental catch-up is the exception, while a continuation and extension of unevenness is the norm.

Capitalist expansion and the dynamics of unequal exchange

Samir Amin has investigated in detail the dynamics of uneven and combined development and how the related conditions of unequal exchange between countries can explain the impossibility of catch-up. Historically, he distinguishes two different periods in the outward expansion of capital, two different ways as to how the periphery was repeatedly integrated into the core of global capitalism. Initial efforts to offset the tendency of the rate of profit to fall revolved around: (1) enlarging markets and exploiting new regions where the rate of surplus value was higher than at the centre, i.e. the outward expansion of capitalism as discussed by Luxemburg; and (2) reducing the cost of labour power and of constant capital, i.e. internal developments within the industrialised countries as highlighted by Kiely. In the age of monopoly capitalism, i.e. the current phase of capitalism for Amin, expanded reproduction is possible not necessarily by integrating non-capitalist space, but through restructuring the way in which the periphery is integrated within the global economy. Through the export of capital, forms of production were established in the periphery enjoying the advantage of low-wage costs. The tendency to overcome the contradiction between the capacity to produce and pressures that reduce the rate of profit was shifted to the plane of the world capitalist system. In these processes, the formation of monopolies and the exporting of capital changed the functions of the periphery so that it ceased to export agricultural products only and became an exporter of finished manufactured goods, the expression of capitalist development that was a result of investment of capital by the advanced capitalist centres (Amin 1976: 185-6). This export of capital, however, can never overcome the crisis tendency of capitalism completely. It is no solution to the problem of how to absorb the surplus but, on the contrary, worsens the conditions for this. The export of capital gives rise to a return flow that exceeds it in volume so the excess surplus is absorbed in other ways, including military expenditure and state aid (Amin 1976: 180-1).

> 'The export of capital, while not enabling the surplus to be absorbed, serves to raise the rate of profit, since capital benefits from a rate of surplus value in the periphery that is higher than in its country of origin. But this transfer is largely concealed by the equalisation of the rate of profit on the world scale, which constitutes the essence of unequal exchange' (Amin 1976: 181).

It is here, then, that the significance of unequal exchange begins to enter the picture, despite that literature being too extensive to be addressed fully here (see Arghiri 1972). From within such arguments the 'fresh geographical extension of capitalism's domain' over the periphery was established through the mechanism of primitive accumulation. 'The characteristic feature of primitive accumulation, in contrast to normal expanded reproduction, is unequal exchange, that is, the exchange of products whose prices of production, in the Marxist sense, are unequal' (Amin 1976: 187). Relations within the world capitalist system are thus marked by the extension of the capitalist market at the expense of precapitalist systems, enabling the absorption of the surplus, and increases in the average rate of profit. 'External extension of the capitalist market was therefore of prime importance as a means for realising surplus value' (Amin 1976: 188).

After 1945 international specialisation led to the production of goods locally but three important structural changes furthered conditions of uneven development in the period of monopoly capitalism: (1) transnational capital operating on a world scale; (2) advances in technology transferring centrality to ultra-modern branches of activity—atomic power, space research, electronics—rendering obsolete the classical modes of accumulation, characterised by increasing the organic composition of capital; and (3) the concentration of technological knowledge in transnational corporations (Amin 1976: 189). In relation to ultra-modern advances in technology, the uneven development of the global political economy thus gets a 'second wind'—which can be captured with reference to 'secondary' uneven development—as the periphery comes to accept a new form of specialisation, emerging as a producer of capital goods, but still lagging behind advanced capitalist centres (Amin 1976: 190). One result is a 'sectoral unevenness in productivity', based on the divergence of the organic composition of capital in the periphery, when the capitalist mode of production has not taken hold of all the branches of production, as it has at the centre, to result in sectoral differences that mark the principal aspect of unevenness in the 'Third World' (Amin 1976: 215, 217-18).

> 'These unevennesses of productivity are often reflected in unequal rates of profit, but also in unequal rewards of labour, especially where sectors that do not belong to the capitalist mode are concerned, as is often the case with rural production. This price structure has, therefore, nothing rational about it from the standpoint of the needs of a growth organised in order to put an end to the historical lagging-behind—uneven between one sector and another—which is characteristic of the periphery' (Amin 1976: 223-4).

Further, in order to counteract the law of the tendency of the rate of profit to fall, capital imports labour from abroad at a lower wage, reserving the most thankless tasks for this labour whilst depressing the labour market more generally. 'This additional immigrant labour force constitutes also a disguised transfer of value from the periphery to the centre, since the periphery has borne the costs of training this labour force' (Amin 1976: 362).

One consequence is the condition of *permanent structural adjustment* that always characterises the unevenness, asymmetry and domination of relations between 'centre' and 'periphery' (see also Balkan and Savran 2002). Adjustment is fundamentally unequal in character through a permanent and chronic tendency towards deficit in the periphery's external balance with this disequilibrium constantly reflected in currency devaluation. A devaluation of a currency will itself have effects comparable to an increase in the amount taken by taxes and the subsequent reduction in demand, although admittedly in a less effective manner (Amin 1976: 274). Hence a 'chronically deficitary' condition of the balance of payments is experienced in the periphery linked to conditions of devaluation that, along with inflation, should be seen as a manifestation of the class character of the state in terms of its unequal impact on social conditions as much as a monetary feature (Amin 1976: 257; Barkin and Esteva 1982; Harvey 1982/2006: 200-2).

Immanuel Wallerstein has linked unequal exchange to 'free trade'. Unequal exchange is considered to be the result of the appropriation of surplus value by countries in the 'core' from countries in the 'periphery' on the basis of monopoly production.

> When exchange occurs, competitive products are in a weak position and quasi-monopolised products are in a strong position. As a result, there is a constant flow of surplus-value from the producers of peripheral products to the producers of core-like products. This has been called unequal exchange (Wallerstein 2004: 28).

The key problem, however, in addition to the spatial representation of 'core' and 'periphery', is the way unequal exchange has been grounded within a definition of capitalist social relations of production linked to world-systems analysis. World-systems approaches explain the emergence of capitalism through a 'commercialisation model' of capitalism based on market relations. Instead of focusing on the way production is organised and, in this respect, on the existence of wage labour, the emphasis is on production for profit in a market. As a result, the emergence of capitalism is dated back to the 'long sixteenth century' starting around 1450.

> What was happening in Europe from the sixteenth to the eighteenth centuries is that over a large geographical area going from Poland in the northeast, westwards and southwards throughout Europe and including large parts of the Western Hemisphere as well, there grew up a world-economy with a single division of labour within which there was a world market, for which men produced largely agricultural products for sale and profit. I would think the simplest thing to do would be to call this agricultural capitalism (Wallerstein 1974: 399).

Giovanni Arrighi (1994), in turn, distinguishes several consecutive 'systemic cycles of accumulation'. Within each cycle, there is first an expansive phase during which capitalists invest money in commodities and production for trade. This implies that any kind of trade, in which goods are bought cheaply and sold more expensively, are a capitalist relation. Unsurprisingly, Arrighi dates the start of capitalism back to the thirteenth and fourteenth centuries, when medieval Italian city-states were involved in long-distance trade. The social relations of production, underlying this type of trade, are totally disregarded. Hence, the fact that conditions of wage labour were almost non-existent is overlooked. When trade does no longer yield sufficient returns, capitalists then switch to financial expansion concentrating on making profits through investment. Eventually, this will result in an even bigger crisis, leading to the establishment of a new systemic cycle around a new hegemonic state power. In short, Arrighi defines capitalism as follows: 'An agency of capital accumulation is capitalist precisely because it reaps large and regular profits by investing its stock of money in trade and production or in speculation and the credit system' (Arrighi 1994: 230). Capitalism is, thereby, not defined as a social relation, but through the existence of 'capitalists' in a market economy and their particular control or lack of control over the state. 'Add as many capitalists as you like to a market economy, but unless the state has been subordinated to their class interest, the market economy remains non-capitalist' (Arrighi 2007: 332). Concurrent, then, with Eric Wolf (1997: 79) 'there is no such thing as mercantile or merchant capitalism' because 'capitalism, to be capitalism, must be capitalism-in-production'. Therefore, as world-systems analysis defines capitalism as a system of production for sale on the market, between centres of commercialisation, it resides within a circulationist logic or in the political relations of distribution (Teschke 2003: 139).

This definition of capitalism is, then, heavily based on the emergence of a world market or what has been termed the 'pan-capitalist thesis' (Harris 1978: 5). In order to understand the dynamics of capitalism, the focus has to be instead on the social relations of production and how social property relations are organised, as discussed above. Of course, the prior existence of a states-system and a world market has shaped capitalism but in itself the world market alone cannot explain the transition from feudalism to capitalism. 'As the feudal monarchies of Spain and Portugal were to discover, the wealth plundered during the mercantile period did not fuel an industrial revolution on the Iberian Peninsula precisely because social relations were not transformed' (Ashman 2010: 194). Hence the need to explore in more detail a series of entry points to facilitate consideration of conditions of capitalist expansion, the role of unequal exchange, and the transfer of value within the wider context of uneven and combined development. Similar to Amin's focus on productivity differentials above, Ernest Mandel has also outlined how it is not the difference in the nature of the goods that is the cause of unequal exchange, but rather the difference in the productivity of labour that is decisive (Mandel 1975: 66, 359 and 368). Of course, a monopoly position of a product also implies that the labour productivity of workers producing this particular product is very high. Nevertheless, 'monopoly is one source of surplus profits, but much more important is technological innovation that, by increasing productivity, reduces the innovator's costs of production below the sectoral average' (Callinicos 2010: 23). A monopoly ensures the longer feasibility of higher productivity rates, but it is not in itself the cause of unequal exchange. Rather, 'on the world market, the labour of a country with a higher productivity of labour is valued as more intensive, so that the product of one day's work in such a nation is exchanged for the product of more than a day's work in an underdeveloped country' (Mandel 1975: 71-2). In other words, 'capitalist expansion is a dynamic but also an uneven process . . . this unevenness is not seen as a result of market imperfections, but is in fact a product of the way competitive markets work in the real world' (Kiely 2007: 18). Market leaders, often in areas of new technology, have a competitive advantage and are, therefore, interested in 'free trade' and 'open competition'. Developing countries, on the other hand generally operate in 'old industries'. So-called 'free trade' intensifies these imbalances in trade and production. In sum, the continuity and intensification of different productivity rates between developed and developing countries and, thereby, unequal exchange, is ensured through the 'second wind' of secondary uneven and combined development. 'International movements of capital constantly reproduce and extend the international productivity differential which is characteristic of the history of modern capitalism, and are themselves in turn further determined by this differential' (Mandel 1975: 343).

The new 'free trade' agenda and unequal exchange

So-called 'free trade' has been a crucial and early part of the extension of capitalist social relations of production. As Kiely remarks, the British empire of the 19th century can be understood as a case of 'free trade' imperialism. 'What is very useful about the concept of 'free trade' imperialism is that it demonstrates how more developed capitalist countries can exercise power over less developed ones, largely through "economic relations" (although these are always backed by state regulation)' (Kiely 2010: 51). The post-war era was then characterised by the further expansion of trade in manufactured goods through successive rounds of agreements on lowering taxes within the framework of the General Agreement on Tariffs and Trade (GATT). The GATT Uruguay round of negotiations, between 1986 and 1994, however, expanded the agenda of 'free trade' significantly. First, it culminated in the establishment of the World Trade Organisation (WTO) in 1995, which also included a strengthened dispute settlement procedure facilitating the monitoring and enforcement of agreements. This directly undermines the previous possibilities of governments to intervene in the domestic economy and protect sensitive sectors. Moreover, the GATT Uruguay agreement also included the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), a General Agreement on Trade in Services (GATS) as well as an Agreement on Trade-Related Investment Measures (TRIMs). 'The successive expansion of the area of "free trade" has constituted a movement from the classical international trade of material goods . . . to far-reaching liberalisation and deregulation and, subsequently, neoliberal re-regulation of the economy' (Patomäki and Teivainen 2004: 73). In short, developments since the GATT Uruguay Round have undermined national sovereignty and challenged the post-war compromise of 'embedded liberalism', which permitted governments to support 'free trade' while at the same time intervene directly into their economies to ensure employment. The WTO Doha round of negotiations, launched in 2001, was intended to deepen this expansion of the 'free trade' agenda further and complete ‘unfinished business’ especially in the area of services and public procurement but also agriculture. Due to increasing resistance to these developments, with the demonstrations at the WTO ministerial conference in Seattle in 1999 as a first landmark event, these negotiations have stalled. There was no agreement at the 2003 WTO meeting in Cancun, while the WTO Hong Kong conference in December 2005 made only minimal progress and general negotiations had broken down by July 2006. The latest attempt to revive the Doha round in July 2008 ended equally in failure. This does not mean, however, that the ‘free trade’ strategy has halted. In view of the problems at the multilateral level, both the European Union (EU) and the United States have increasingly engaged in bilateral strategies of ‘free trade’ agreements. These strategies include the expanded trade agenda and are a tool to achieve what has been impossible within a multilateral setting (Choudry 2010). In other words, the expanded trade agenda including now also investment and services, initiated by the WTO and pursued through bilateral channels, is yet another way of integrating the periphery into the global economy in order to ensure the continued accumulation of surplus value in the core through unequal exchange, while deepening the prevailing spatial conditions of uneven development between core and periphery.

One noticeable example in this area is the EU’s Global Europe strategy, launched in 2006. Global Europe aims to apply the Lisbon strategy of competitiveness and open markets to the EU’s external relations by means of a new generation of bilateral ‘free trade’ agreements. It is made clear in this respect that trade needs to be understood in an expanded way. ‘This openness is no longer simply about tariffs. Securing real market access in the twenty-first century will mean focusing on new issues and developing tools of trade policy to achieve the types of opening that make a real difference’ (European Commission 2006: 6). The Commission points here to the elimination of non-tariff barriers, access to resources, intellectual property protection, services, investment, public procurement and competition. Public services have been especially singled out as an area where the EU intends to open up new markets. 'Services are the cornerstone of the EU economy. They represent 77 percent of GDP and employment, an area of European comparative advantage with the greatest potential for growth in EU exports' (European Commission 2006: 8). In short, the EU intends to obtain far-reaching commitments by its trading partners in the opening up of their markets. 'In terms of content new competitiveness-driven FTAs would need to be comprehensive and ambitious in coverage, aiming at the highest possible degree of trade liberalisation including far-reaching liberalisation of services and investment' (European Commission 2006: 11). By opening up developing countries to high productivity service corporations, some form of 'development' will result but the question to pose is *for whom?* as the old problem of combining elements of advanced technological progress with the lagging effects of older backward elements remains. As a result, processes of uneven and combined development are further extended whilst developing countries remain locked into new relationships of unequal exchange. The periphery is yet again transformed in the latest extension of the capitalist social relations of production through the 'second wind' of 'free trade', which is perhaps now entering a third phase of capitalist expansion in addition to those identified earlier.

Conclusion

This paper has attempted to sketch the relationship between capitalist outward expansion linked to processes of uneven and combined development and relations of unequal exchange in order to assert the particular role of 'free trade' in these processes. Capitalist production, organised around wage labour and the private ownership of the means of production, is characterised by a crisis tendency. Outward expansion around uneven and combined development is thereby a key dynamic as to how such crises are overcome, albeit temporarily. Because capitalist expansion has historically taken place within an already existing international states-system, countries have become locked into relations of unequal exchange, in which surplus is transferred from the periphery to the core due to different productivity rates. This outward expansion, as Amin reminds us, has taken place in several successive phases, reconstituting these relations of unequal exchange in new ways. Initially, the non-capitalist periphery was drawn into capitalism through the export of goods from the core to the periphery as well as the export of capital. In a second phase, called monopoly capitalism, manufacturing production units have been transferred to the periphery. While some development resulted, developmental catch-up was prevented as a result of continued unequal exchange. Development in the periphery has been combined, bringing together advanced and backward social forms ensuring continued uneven development between and within countries. So-called 'free trade' has always played an important role in the outward expansion of capitalism. Initially, non-capitalist space provided new markets to absorb surplus goods from the core. It is, however, the most recent period, in which the trade agenda has expanded, reaching into areas of financial investment and service provision, to adopt its most significant role. This situation heralds a new period reconstituting the relationships of unequal exchange between spaces of the global political economy thereby furthering uneven development. In other words, the expansion of capitalism is secured through relations of unequal exchange in the form of the neoliberal agenda of 'free trade' as well as impacting on labour exploitation through migration. New rounds of ultra-modern advances in technology—for example through the Global Europe agenda—may provide a 'second wind', or new hierarchy, of unequal exchange in the global political economy. It is these dynamics around the expanded free trade agenda, which Kiely refers to as a new phase of neoliberal, free trade imperialism (Kiely 2010: 188). It is these structuring conditions, with which labour movements around the world are today confronted.

The implications for labour and its potential agency of resistance against further restructuring are complex. Precisely because capitalist expansion has been uneven, different national labour movements find themselves in different locations within the global economy. Already in the 1970s, Mandel remarked that 'it is hard to deny that American workers participated to a certain degree in the benefits of U.S. imperialism's monopoly of advanced industrial productivity (technology)' (Mandel, 1970: 25). Thus, while some labour movements may feel that further capitalist expansion is in their interest and albeit only at first sight, others realise the detrimental impact the expanded 'free trade' agenda implies for their countries' developmental potential. Many other contributions to this workshop focus on how this obstacle towards transnational solidarity can be negotiated by labour movements to ensure that uneven development does not prevent solidarity. After all, it should be clear that capital in its attempts to ensure surplus accumulation through outward expansion is also continuing to undermine its very own conditions of reproduction, whether that is in the form of global war, ecological disaster, and/or rising discontent. As forewarned with striking contemporary resonance by Rosa Luxemburg (1913/2007: 447) capitalism, 'becomes a string of political and social disasters and convulsions, and under these conditions, punctuated by periodical economic catastrophes or crises, accumulation can no longer go on'. It is the challenge of developing non-capitalist ways out of crisis that also now necessitates further transnational solidarity.

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