Reckon that the “economic nationalism” of the development project was an ideal, not a guarantee. The conversion of segments of domestic production to export production deepened the participation of national economies in the world market. This chapter focuses on the socioeconomic dimensions of this transformation, anticipating the process and politics of globalization, as the development project was replaced by the globalization project.

The development project depended on postwar reconstruction of the world market, albeit subordinated to the development concerns of nation-states. The Cold War marked the rise of a U.S.-centered world economy in which the U.S. government deployed military and economic largesse to secure an informal empire as colonialism receded. With the West focused on containing Soviet and Chinese power, the development project settled on the twin economic foundations of freedom of enterprise and the U.S. dollar as the international currency. Bilateral disbursements of dollars wove together the principal national economies of the West and Japan and, as the dollar source, the U.S. Federal Reserve System led those countries’ central banks in regulating an international monetary system.1

Within this arrangement, Third World political elites pursued national development targets assisted by substantial military and financial aid packages. Countries differed in their resource endowments and their political regimes—ranging from military dictatorship to one-party states to parliamentary rule. Nonetheless, despite expectations of convergence through development, divergent forces soon appeared. These included a growing, rather than diminishing, gap between First and Third World living standards and a substantial differentiation among states within the Third World, as the newly industrializing countries “took off.” In combination, these divergent developments signaled a deepening integration of production relations across, rather than within, nation-states. The development “fast track” was emerging in the web of economic relations across national borders as a new form of global economy emerged, leaving the national experiment behind.

Third World Industrialization in Context

The rise of the newly industrializing countries (NICs) appeared to confirm that the colonial legacy was in retreat and that industrialization would inevitably expand into the Third World. Each of the NICs, with some variation, moved through low-value industries (processed foods, clothing, toys) to higher-value industries (steel, autos, petrochemicals, machinery). Whereas the Latin American NICs (Mexico and Brazil) began the early phase in the 1930s, graduating to the more mature phase in the 1950s, the Asian NICs (Taiwan and South Korea) began manufacturing basic goods in the 1950s and did not upgrade until the 1970s. The other regional variation was that the Asian NICs financed their import-substitution industrialization (ISI) via the export of labor-intensive products because they lacked the resource base and domestic markets of the Latin NICs.2

With the exception of Hong Kong, most of the NICs had strong development states guiding public investment into infrastructure development and industrial ventures with private enterprise. The South Korean development state virtually dictated national investment patterns.3 Industrialization depended on the size of domestic markets as well as access to foreign exchange for purchasing First World capital equipment technologies. As technological rents rose, Latin NICs adopted the export-oriented industrialization (EOI) model of the Asian NICs to earn foreign exchange.

Widespread EOI signaled a significant change in strategies of industrialization, increasingly organized by transnational corporation (TNC) investment and marketing networks. For First World firms, EOI became a means of relocating the manufacturing of consumer goods, and then machinery and computers, to the Third World. Third World states welcomed the new investment with corporate concessions and a ready supply of cheap, disorganized labor. At the same time, First World consumption intensified with easy credit and a mushrooming of shopping malls and fast food outlets in the 1970s. The global consumer and the global labor force became mutually dependent.4

Third World manufacturing exports outpaced the growth in world manufacturing trade during this period, increasing their share of world trade from 6 to 10 percent between 1960 and 1979. The NICs accounted
for the bulk of this export growth, its composition broadening from textiles, toys, footwear, and clothing in the 1960s to more sophisticated exports of electronics and electrical goods bound for the First World, as well as machinery and transport equipment bound for the Third World, by the 1970s. Asian NIC development was achieved by rooting industrialization in the world economy. Thus,

Mexico, Brazil, Argentina, and India ... accounted for over 55% of all Third World industrial production but only about 25% of all Third World manufactured exports (narrowly defined). Hong Kong, Malaysia, Singapore and South Korea ... were responsible for less than 10% of Third World production but 35% of all Third World manufactured exports (narrowly defined). The Asian NICs' export orientation was exceptional for geopolitical reasons. First, the East Asian perimeter of the Pacific Ocean was a strategic zone in the Cold War security system. Military alliances opened U.S. markets to exports, often of goods assembled for U.S. corporations. Second, Japan's historic trade and investment links with this region deepened as Japanese firms invested in low-wage assembly production offshore. In each case, the Asian NICs reaped the benefits of access to the near-insatiable markets of the United States and Japan. The global and regional contexts have been as influential in their growth as domestic policy measures and national economic cultures.

The World Factory

The expanding belt of export industries in the Third World, led by the NICs, provides a clue to a broader transformation occurring within the world at large. There was a new "fast track" in manufacturing exports, supersed­ing the traditional track of exporting processed resources. It heralded the rise of the world factory: proliferating manufacturing export platforms producing world, rather than national, products. Often, the production steps are separated and distributed among geographically dispersed sites in assembly-line fashion, pros­ducing and assembling a completed product. World products— including automobiles, cell phones, computers, jeans, or electronic toys— emerge from a single site or a global assembly line of multiple sites (commodity chains) organizing disparate labor forces of varying skill, cost, and function.

The phenomenal growth of export manufacturing using labor-intensive methods in the East Asian region, as well as regions such as Mexico's border-industrial zone, signaled the rise of a global production system. In Asia, the stimulus came from the relocation of the Japanese industrial model of hierarchical subcontracting arrangements to sites across the region. The Mexican Border Industrialization Program (BIP) paralleled this "decentralization" of industrial production, importing unfinished components to this new industrial enclave for assembly as a world market product. In 1965, the Mexican government implemented the BIP to allow entirely foreign-owned corporations to establish labor-intensive assembly plants (known as maquiladoras) within a twelve-mile strip south of the border. Concessions to firms employing Mexican labor at a fraction of U.S. wages and paying minimal taxes and import duties to the Mexican government were part of a competitive world factory strategy. In 1967, the Mexican minister of commerce stated, "Our idea is to offer an alternative to Hong Kong, Japan, and Puerto Rico for low enterprise." The maquiladoras have earned about one-third of Mexico's scarce foreign currency income.

U.S. firms establishing assembly plants in the BIP concentrated on garments, electronics, and toys. By the early 1970s, 70 percent of the operations were in electronics, following a global trend of U.S. firms relocating electronic assembly operations to southern Europe, South Korea, Taiwan, and Mexico, seeking low-cost labor in response to Japanese penetration of the transistor radio and television market. The 168 electronics plants established by 1973 on the Mexican border belonged to firms such as General Electric, Fairchild, Litron Industries, Texas Instruments, Zenith, RCA, Motorola, Bendix, and National Semiconductor. There were also 108 garment shops, sewing swimsuits, shirts, golf bags, and undergarments; some subsidiaries of large companies such as Levi Strauss; and other small sweatshops (unregulated workplaces) subcontracted by the large retailers.

The cost calculus driving the relocation of manufacturing to the Third World includes avoidance of stringent environmental regulations. Over a quarter of factory operators in the city of Mexicali, close to the California border, cited Mexico's lax environmental enforcement as a condition of relocation. The impact is both physical and environmental. Electronics factories commonly include open and toxic fume-emitting containers of carcinogenic acids and solvents; this results in chronic illness, such as headaches, sore throat, and drowsiness, among the workforce documented in the Mexican film Maquilopolis. Even with more stringent U.S. environmental regulation, California's Silicon Valley includes 29 sites listed on the Environmental Protection Agency's Superfund list of most contaminated toxic dumps—such environmental hazards accompany the proliferation of semiconductor manufacturing. Chemical discharges from maquiladoras into open ditches adjacent to shantytowns have been linked to cancer, birth defects, and brain damage, and factories in export-processing zones (EPZs) have been associated with the dumping of pollutants into local waters, affecting drinking water and fisheries.
The global proliferation of low-wage assembly marked the strategic use of export platforms chiefly in the Third World by competing TNCs from the United States, Europe, and Japan and, later, from some Third World countries. As these companies seek to reduce their production costs to enhance their global competitiveness, so export platforms have spread. Thus the NICs' strategy of export-oriented industrialization sparked the world factory phenomenon: from sweatshops in Los Angeles to subcontractors in Bangladesh, Ireland, Morocco, and the Caribbean.

The Strategic Role of Information Technologies

The world factory system is nourished by the technologies of the "information age." Especially important in the latest of these revolutions is the semiconductor industry. Semiconductors—notably the integrated computer chip—are the key to the new information technologies that undergird the accelerating globalization of economic relations. Advances in telecommunication technologies enable firms headquartered in global cities such as New York, London, or Tokyo to coordinate production tasks distributed across sites in several countries. Information technologies allow rapid circulation of production design blueprints among subsidiaries, instructing them in retooling their production to accommodate changing fashion or reorganize production methods in their offshore plants. Thus we find global assembly lines stretching from California's Silicon Valley or Scotland's Silicon Glen to assembly sites in Taiwan, Singapore, Malaysia, or Sri Lanka. What appears to be an expansion of industrial exporting, from a national (accounting) perspective, is increasingly a globally organized production system. As participants in global assembly lines, national economic sites may specialize in producing just airplane wings, or automobile dashboards, or shoe soles, or buttonholes. Since export platforms are substitutable, nationally located production loses permanence.

How has this come about? Microelectronics. This was a leading industry in establishing the world factory, given the low skill in much electronic assembly and the dispersion of electronics production to export platforms across the world. In turn, high-tech electronic products such as computers and digital telecommunications technology enable the global dispersion and coordination of production and circulation in other industries, from banking to textiles to automobiles. Thus information technology globalizes the production of goods and services, in both senses. In particular, it has enabled the proliferation of EPZs.
The Export-Processing Zone

Export-processing zones, or free trade zones (FTZs), are specialized manufacturing export estates with minimal customs controls, and they are usually exempt from labor regulations and domestic taxes. EPZs serve firms seeking lower wages and Third World governments seeking capital investment and foreign currency to be earned from exports. The first EPZ appeared at Shannon, Ireland, in 1958; India established the first Third World EPZ in 1965 and, as early as the mid-1980s, roughly 1.8 million workers were employed in a total of 173 EPZs around the world. By 2006, there were 3,500 EPZs in 130 countries, employing 66 million workers (40 million of which were in China).12

The dynamics of EPZs contradict the economic nationalism of the development project in favoring export markets over domestic market development, which features local production capacity and consumption. Export-processing zones typically serve as *enclaves*—in social as well as economic terms. Often physically separate from the rest of the country, walled in with barbed wire, locked gates, and special security guards, EPZs are built to receive imported raw materials or components and to export the output directly by sea or air. Workers are housed in and out daily or live in the EPZ under a short-term labor contract. Inside the EPZ, whatever civil rights and working conditions exist in the society at large are usually denied to the workforce. As noted in 1983, “Free trade zones . . . mean more freedom for business and less freedom for people.”13 It is a workforce assembled under conditions analogous to those of early European industrialization, enhancing the profitability of modern, global corporations.

Export-processing zones provided an early portal for Third World women to enter the global workforce, just as English and American farm girls staffed the early textile mills. The new “factory girls” earned in one week approximately what their First World counterparts earned in one hour. In the early 1980s, 80–90 percent of zone workers were females between 16 and 25 years old. Women were regarded as best suited to the tasks because of their “natural patience” and “manual dexterity”—a personnel manager of a Taiwanese assembly plant claimed, “Young male workers are too restless and impatient to be doing monotonous work with no career value. If displeased, they sabotage the machines and even threaten the foreman. But girls, at most they cry a little.”14 Appealing to Orientalist stereotypes, a Malaysian investment brochure stated, “The manual dexterity of the oriental female is famous the world over. Her hands are small and she works fast with extreme care. Who, therefore, could be better qualified by nature and inheritance to contribute to the efficiency of a bench-assembly production line than the oriental girl.”15 On balance, much of the world’s now 27 million strong EPZ labor force has comprised women.16 Between 1975 and 1995, garment production spawned 1.2 million jobs in Bangladesh, with women taking 80 percent—this imbalance has considerable impact on Islamic culture. In 1998, the International Labor Organization estimated 2,000 EPZs employed 27 million workers, 90 percent of whom were female. In Mexico, young women accounted for roughly 78 percent of the *maquiladora* workforce in 1979, some 85 percent in the mid-1990s, and 54 percent in 2004.17 The shifting gender proportions of the labor force (here, “defeminization”) mark the generalization of the *maquila* system throughout Mexico, at the point when the work upgraded beyond simple assembly; higher proportions of female workers occur in simple assembly zones such as Indonesia, Mauritius, Tunisia, Sri Lanka, and the Philippines.18 The construction of global assembly work on the foundation of a feminized labor force remains a constant, as sweatshops cycle through countries in search of lower wages and appropriate locations. The absence of rights and regulations renders
such labor vulnerable to super-exploitation, with employees often being forced to work overtime—sometimes up to 48 hours—to meet rush orders, under debilitating conditions (as in the film *China Blue*). The following description of a worker at an electronics *maquiladora* near Tijuana captures the conditions of sweatshop labor.

Her job was to wind copper wire on to a spindle by hand. It was very small and there couldn’t be any overlap, so she would get these terrible headaches.

After a year, some of the companies gave a bonus, but most of the girls didn’t last that long, and those that did had to get glasses to help their failing eyes. It’s so bad that there is constant turnover.19

While sweatshops may register on some indicators of development, Raquel Grossman notes that retirement due to failing eyesight leaves such young women betwixt and between the factory culture and their previous life; many of these are compelled to work in the “entertainment industry,” whether in bars and restaurants, or the sex trade.20

The foreign companies that employ EPZ workers obtain concessions, such as free trade for imports and exports, infrastructural support, tax exemptions, and locational convenience for re-export. For example, for *maquila* investment in Sonora, one of the poorest border states, the Mexican government’s most favorable offer was 100 percent tax exemption for the first ten years and 50 percent for the next ten.21 In short, the EPZ is typically an island in its host country, separated from domestic laws and contributing little to the host economy, other than mostly dead-end jobs and foreign currency earned via export taxes levied by host states. The EPZ belongs instead to an archipelago of production sites across the world—concentrated in Latin America, the Caribbean, and Asia—that serve world markets.

**The Rise of the New International Division of Labor (NIDL)**

The formation of a global labor force began during the development project. The effects of urban bias, agrarian class polarization accelerated by the green revolution, and cheap food imports combined to expel peasants from the land. From 1950 to 1997, the world’s rural population decreased by some 25 percent, and now over half of the world’s population dwells in and on the margins of sprawling cities.22 European depeasantization was spread over several centuries, with the pressure on cities relieved through immigration to settlement colonies in the Americas and Australasia. But for Third World societies, this process has been compressed into a few generations, slightly longer for Latin America. Rural migrants overwhelm the cities, generating what has been termed a “planet of slums.”23

Depeasantization does not by itself create a global labor force; it simply swells the ranks of displaced people lacking means of subsistence and needing wage work. Wage work for a global labor force stems from the *simplification* of First World manufacturing work and *relocation* of these routine tasks as low-cost jobs to form a global assembly line linking sites across the world.

Initially, First World mass production developed around large production runs using assembly lines of work subdivided into specialized tasks. Simplification *deskills* assembly work, anticipating the global assembly line. As the world factory emerged, such tasks as cutting, sewing, and stitching in the garment or footwear industries or assembly, machine tending, or etching in the electrical, automobile, or computer chip industries relocated to cheap labor regions. At the same time, the technologies to coordinate those tasks generated a need for new skilled labor, such as managerial, engineering, or design labor, tasks often retained in the First World. This produced a *bifurcation of the global labor force*, with skilled labor concentrating in the First World, and unskilled labor concentrating in the Third World. TNCs coordinated this bifurcation via their “internal” labor hierarchies as early as the 1970s, for example,

Intel Corporation is located in the heart of California’s “Silicon Valley.” . . . When Intel’s engineers develop a design for a new electronic circuit or process, technicians in the Santa Clara Valley, California plant will build, test, and redesign the product. When all is ready for production of the new item, however, it doesn’t go to a California factory. Instead, it is air freighted to Intel’s plant in Penang, Malaysia. There, Intel’s Malaysian workers, almost all young women, assemble the components in a tedious process involving hand soldering of fiber-thin wire leads. Once assembled, the components are flown back to California, this time for final testing and/or integration into a larger end product. And, finally, they’re off to market, either in the United States, Europe, or back across the Pacific to Japan.24

In the 1970s, the relocation of deskilled tasks to lower-wage regions of the world was so prevalent that the concept of a new international division of labor (NIDL) was coined to describe this development. NIDL referred to an apparent *decentralization of industrial production* from the First to the Third World. The conditions for this movement were defined as endless supplies of cheap Third World labor, the new technical possibility of separating and relocating deskilled manufacturing tasks offshore, and the rise of transport and informational technologies to allow coordination of global production systems.25
CASE STUDY  Gendering the Global Labor Force

"Endless supplies of cheap Third World labor" needs definition. Much labor-intensive work is feminized, depending on complex patriarchal and subcontracting hierarchies. Labor-intensive export platform industries prefer young, unmarried, and relatively educated women. While employers argue that women are suited to the jobs because of their dexterity and patience, these qualities are required as much by the jobs themselves as by patriarchal assumptions and practices reproduced within the factories, sweatshops, and home work units. Job construction changes with conditions; as Laura Raynolds shows for Dominican Republic plantations—in times of recession unemployed men may displace women via the use of local patronage networks, with work regendered to reward masculine competition.

Women are typically subjected to long work-days and lower wages compared with men. High turnover, lack of union rights, sexual harassment, and poor health characterize the female workforce that has mushroomed across the Asian, Central American, and Middle Eastern regions. Under these conditions, patriarchal states—competing for foreign investment—encourage women to enter the workforce at the same time as the new female workforce may be under official (especially Islamic) scrutiny for loose morals, and governments withhold maternity benefits, child care, and education opportunities on the grounds that they are "secondary workers" in a male-dominated labor market. Rural families propel—and sometimes sell—their teenage girls into labor contracts, viewing their employment as a daughterly duty or a much-needed source of income. Fuentes and Ehrenreich quote Cynthia Enloe: "the emphasis on family is absolutely crucial to management strategy. Even recruitment is a family process. Women don't just go out independently to find jobs. . . . Discipline becomes a family matter since, in most cases, women turn their paychecks over to their parents. Factory life is, in general, constrained and defined by the family life cycle."

Where young women and children work in family production units (a widespread practice), subcontractors rely on patriarchal pressures to discipline the workers. In the workplace, teenage girls are often forced to take birth control pills to eliminate maternity leave and payments or are forced to have abortions if they get pregnant. Labor contractors and managers routinely demand sexual favors from young women for awarding jobs, giving rise to a "factory harem mentality." The endless nature of the supply of female labor comes from their short working life in many of these jobs—because of the eye-hand coordination of girls that peaks at age 16; the physical deterioration from

low wages, poor health, and nutrition; the high turnover due to harassment; the steady experience of having the life sucked out of them by long working hours and no advancement in skills; and the steady stream of new cohorts of younger women to follow, whether from the countryside, the children of the working poor, or international traffickers in labor. These are the compelling conditions that enable a particular kind and scale of casual labor to form around the world to supply the brand owners the brands to sell to the insatiable global consumer.

What kind of development is realized through the manipulations of gender inequalities?


With global bifurcation of labor skills, skilled labor became concentrated in the First World, extending to enterprising states such as the East Asian NICs (South Korea, Taiwan, Singapore, and Hong Kong), which used public investment to upgrade workforce skills. The upgrading was necessary as their wage levels were rising in relation to other countries hosting export production, such as Malaysia, Indonesia, and the Philippines. In 1975, if the hourly wage for electronics work in the United States was measured at 100, the relative value for equivalent work was 12 in Hong Kong and Singapore, 9 in Malaysia, 7 in Taiwan and South Korea, 6 in the Philippines, and 5 in Indonesia and Thailand. This wage differentiation forced the East Asian NICs to upgrade their segment of the global labor force. What may appear as national development has specific world-historical origins.

East Asian countries improved their competitiveness by specializing in more sophisticated export manufacturing for First World markets, using skilled (more male) labor rather than semiskilled and unskilled labor. After upgrading their labor force, the NICs attracted skilled labor inputs as a regional growth strategy. As the skilled work came, these states became headquarters, or cores, of new regional divisions of labor patterned on the production hierarchy between Japan and its East and Southeast Asian neighbors.

By 1985, an East Asian division of labor developed in the semiconductor industry for U.S. firms through the upgrading of the production hierarchy. Final testing of semiconductors (capital-intensive labor involving computers with lasers) and circuit design centers were located in Hong Kong, Singapore, and Taiwan; wafer fabrication in Malaysia; and assembly in
Malaysia, Thailand, the Philippines, and Indonesia. In the 1970s, semiconductors were assembled in Southeast Asia and then flown back to the United States for testing and distribution, but by the 1980s Hong Kong imported semiconductors from South Korea and Malaysia to test them for re-export to the First World and for input in Hong Kong's fabled watch assembly industry.\textsuperscript{27}

Patterns of global and regional sourcing have since mushroomed across the world, particularly under the stimulus of informatics. Firms establish subsidiaries offshore or extensive subcontracting arrangements in labor-intensive consumer goods industries such as garments, footwear, toys, household goods, and consumer electronics. The Nike Corporation produces most of its athletic shoes through subcontracting arrangements in South Korea, China, Indonesia, and Thailand; product design and sales promotion are reserved for its U.S. headquarters, where the firm "promotes the symbolic nature of the shoe and appropriates the greater share of the value resulting from its sales."\textsuperscript{28} In these senses, the legacy of the world factory revolution has been an initial global bifurcation of labor skills—made increasingly complex by global subcontracting arrangements, as firms have entered into joint ventures to organize their supplies, reduce their costs, and position their final assembly operations for global and/or regional marketing.

\textbf{From the NIDL to a Global Labor Force}

The rise of global subcontracting transformed the tidy bifurcation of labor between the First World (skilled) and the Third World (unskilled labor), captured in the NIDL concept, into a \textit{bifurcation of labor everywhere}. Why did this shift take place? First, it occurred because of skill upgrading by firms in the NICs. The second reason is that global subcontracting threatens (by relocation) organized labor in the First World, weakening some unions and casualizing some labor. Bifurcation is the separation of a core of relatively stable, well-paid work from a periphery of casual, low-cost labor, irrespective of location. We see it occurring in tertiary education, across and within institutions, where teaching is divided between tenured professors and part-time lecturers. This relationship has no particular geography, although its most dramatic division remains a North–South one.

Bifurcation encourages subcontracting, which often has a dark side in the exploitation commonly experienced by unprotected labor throughout the world. In 1999, the United Nations estimated there were about 20 million bonded laborers worldwide, with half that number in India. Similarly, the International Labor Organization estimates about 80 million children younger than age 14 work across the world in conditions hazardous to their health—in farming, domestic labor, drug trafficking, fireworks manufacturing, fishing, brick making, carpet weaving, sex work, stone quarrying, and as soldiers. Many of these children work 14-hour days in crowded and unsafe workplaces.\textsuperscript{29} Regardless of whether transnational corporations offer better conditions than local firms, the global subcontracting system severely weakens and/or eliminates regulation of employment conditions.

As firms restructure and embrace \textit{lean production}, they may trim less-skilled jobs and fulfill them through subcontracting arrangements that rely on casual labor, often overseas. The U.S. automobile sector outsourced so much of its components production from the late 1570s that the percentage of its workforce belonging to unions fell from two-thirds to one-quarter by the mid-1990s. Not only did outsourcing bifurcate auto industry labor, but the expansion of this nonunion workforce also eroded wages, such that between 1975 and 1990, the low-wage sector grew by 142 percent, from 17 to 40 percent of the automobile workforce. And the U.S. workforce as a whole, industrial restructuring reduced real average weekly earnings by 18 percent from the mid-1970s to the mid-1990s. Meanwhile, union density fell from 25 to 14.5 percent across the period 1980 to 1995.\textsuperscript{30}
First World de-industrialization occurred from 1970 to 1994: manufacturing employment fell 50 percent in Britain, 8 percent in the United States, 18 percent in France, and 17 percent in Germany, with many of these being “low-tech” jobs, such as footwear, textiles, and metals. In 1995 alone, the U.S. apparel industry lost 10 percent of its jobs; jobs lost in the fabrics industry accounted for 40 percent of manufacturing jobs lost that year. More than 50 percent of the U.S. clothing market is accounted for by cheap imports from Asia and Latin America. Around 65,300 U.S. footwear jobs disappeared in the 1980s—for example, Nike ceased making athletic shoes in the United States and relocated most of its production to South Korea and Indonesia. In the early 1990s, a worker—usually female—in the footwear industry in Indonesia earned $1.03 per day compared with an average wage in the U.S. footwear industry of $6.94 per hour. The gap left by the relocation of manufacturing to the Third World has partially been filled by postindustrial work (retailing, health care, security, finance, restaurants), some of which is performed by migrant labor—creating cycles of ethnic tension during times of economic downturn. Temporary and part-time employment—accounting for one-third of U.S. employees in 1995—and multiple jobs have become a common pattern for low-skilled workers.

Manufacturing labor has lost considerable organizational, as well as numerical, power to corporate strategies of restructuring, leading to the qualitative restructuring of work. After a decade of conservative government restructuring of the British labor force (weakening union rights, eliminating minimum wages, reducing jobless benefits), Britain in the 1990s became a new site for offshore investment from Europe—mostly in part-time jobs (electronic assembly, apparel, clerical tasks) undertaken by women at considerably lower wages than would be paid in Europe. Typically, “Third World” working conditions are just as likely to appear in the global North via the practice of lean production. Garment sweatshops are a recurring phenomenon—for example, in New York City—and a range of “Third World” jobs has spread in First World cities over the past two decades. In other words, the global labor force—including working conditions—is well entrenched everywhere, however tenuous.

Global integration habitually marginalizes people and their communities, as jobs are automated, shed, or relocated by corporations under global competitive pressures. Competition compels firms not only to go global but also to keep their sourcing flexible, and therefore their suppliers—and their workers—guessing. The women’s wear retailer Liz Claiborne, which divides its sources mainly among the United States, Hong Kong, South Korea, Taiwan, the Philippines, China, and Brazil, claims, “The Company does not own any manufacturing facilities: all of its products are manufactured through arrangements with independent suppliers. . . . The Company does not have any long-term, formal arrangements with any of the suppliers which manufacture its products.” As the world market has been corporatized, firms that once organized paternalistic “company towns,” have shed that responsibility as they have reached out to the more abstract (i.e., flexible and expendable) global labor force.

CASE STUDY The Corporatization of World Markets

Export markets concentrate in the global North, where markets are much denser than Southern markets and consumer culture is well entrenched. Export, or world, markets are typically organized by TNCs. UN data reveal that transnational corporations account for two-thirds of world trade. Fifty of the largest 100 economies are run by TNCs—for instance, General Motors and Toyota are larger (by revenue) than Malaysia, Nigeria, Pakistan, Egypt, and Peru. TNCs control most of the world’s financial transactions, biotechnologies, and industrial capacity—including oil and its refining, coal, gas, hydroelectric and nuclear power plants, mineral extraction and processing, home electronics, chemicals, medicines, wood harvesting and processing, and more.

The top five TNCs in each major market (such as jet aircraft, automobiles, microprocessors, and grains) typically account for 40–70 percent of all world sales, with the 10 largest corporations in their field controlling 86 percent of telecommunications and 70 percent of the computer industry. UNCTAD in 2002 reported that sales by foreign subsidiaries were twice the value of world exports of goods and services, and that 60,000 TNCs owned over 820,000 subsidiaries, with about 45.5 million employees (compared with 17.5 million in 1982). The combined annual revenues of the 200 largest corporations exceeded those of the 182 states with 80 percent of the world’s population. Corporate tax rates have declined significantly in most northern states—from 30 to 7 percent of U.S. government funds since the early 1950s—shifting tax burdens to lotteries, personal income, and sales.

Most of the largest 350 TNCs are headquartered in France, Germany, Japan, the United Kingdom, and the United States, accounting for 70 percent of all transnational investment and about 50 percent of all the companies themselves. Walmart is now the largest corporation in the world and the largest importer of Chinese-made products, with more than 1 million nonunionized employees (three times the number of General Motors), a large proportion of whom are employed part-time with minimal benefits.

(Continued)
Under these circumstances of globalization, the framework and content of development appear to have been redefined—not as governments pursuing social equity for national citizens, but as corporations pursuing choice for the global consumer-citizen.

If the consumer-citizen represents at most two-fifths of the world’s population, what kind of development (and globalization) do we have?


As corporations shuffle the global employment deck, residents of the global North experience declining real wages (a trend since 1972), rising poverty rates, increased family stress and social disorder, rising public health care costs, and so on. The feminization of work involves lowering wages and job conditions and, in addition to declining social services, has overstressed mechanisms of social reproduction—for which women typically take most responsibility. Proposed retraining schemes to help workers adjust to a shifting employment scene are often ineffectual, as most replacement jobs are low paid and low- or no-benefit service work.

The loss of jobs is not simply an offshoring of production (“global sourcing”); it “hollows out” a nation’s economic base and erodes social institutions that stabilize the conditions of employment and habitat associated with those jobs. A century of institution-building in labor markets, in corporate/union relations, and in communities can disappear overnight, when the winds of the market are allowed to blow across uneven national boundaries. Those who have worked find they are often working longer hours to make ends meet, despite remarkable technological advances. Development has become a game of snakes and ladders.

**Global Sourcing**

Global sourcing is a strategy used by transnational corporations and host governments alike to improve their world market position and secure predictable supplies of inputs. Because of the formation of an infinitely available global labor force, firms reorganize marketing strategies to segment consumer markets. This means substituting flexible production for standardized mass production, using smaller and less specialized (multi-tasking) labor forces. In fact, flexible—or lean—production reorganizes mass production to segment or differentiate consumer markets, often endlessly: the sneaker industry is a clear example.
The size of market segments depends on social class incomes, corresponding to a considerable stratification of consumer products. With a global market, firms are increasingly under pressure to respond to changing consumer preferences as the life span of commodities declines (with rapidly changing fashion and/or technologies). Shifting consumer tastes require greater flexibility in firms’ production runs, use of inputs, use of inventory, and selling strategies. In the 1980s, the Toyota Company introduced the just-in-time (JIT) system of “flexibile mass production.” With JIT (via informatics), simultaneous engineering replaces the sequencing of mass production—the “just-in-case” system in which materials are produced on inflexible assembly lines to supply standardized consumer markets. By contrast, simultaneous engineering allows quicker changes in design and production, so firms can respond to volatile consumer markets.

The JIT system promotes both global and regional corporate strategies. Changing fashions favor subcontracting cheaper global labor forces. In more capital-intensive sectors, where automated technologies are less transferable, firms tend to invest in regional sites so they can respond quickly to local/regional market signals as fashions change. The recent concentration of investment flows in the denser regions of the world market reflects this corporate strategy. Thus, countries such as Mexico and Malaysia become important investment sites precisely because of the new regional complexes of the North American Free Trade Agreement (NAFTA) and the Asia-Pacific Economic Cooperation (APEC). A current instance is the Plan Puebla de Panama complex: an industrial corridor linking the south of Mexico to Panama to mobilize the pool of displaced, cheap, indigenous labor to procure for North American markets.

**CASE STUDY**

**Global/Regional Strategy of a Southern Transnational Corporation**

We tend to think of TNCs as Northern in origin. The Charoen Pokphand (CP) Group was formed in Bangkok in 1921 by two Chinese brothers to trade in farm inputs. In the 1960s, CP expanded into animal feed production, and from there to vertically integrated poultry production, providing inputs (chicks, feed, medicines, credit, extension services) to farmers and in turn processing and marketing poultry regionally in East Asia. In the 1980s, CP entered retailing, acquiring a Kentucky Fried Chicken (KFC) franchise for Thailand, and now controls about one-quarter of the Thai fast-food market as an outlet for its poultry, including 715 7-Eleven convenience stores. By the mid-1990s, CP was Thailand’s largest TNC and Asia’s largest agro-industrial conglomerate, with 100,000 employees in 20 countries. It was an early investor in China, establishing a feed mill in Shenzhen in 1979, in a joint venture with Continental Grain. In 1995, CP was operating 75 feed mills in 26 of China’s 30 provinces; controlled the KFC franchise rights for China, operating in 13 cities; and its poultry operations accounted for 10 percent of China’s broilers, producing 235 million day-old chicks per annum.

Today, CP has investments in fertilizers, pesticides and agro-chemicals, vehicles, tractors, supermarkets, baby foods, livestock operations in poultry and swine, milk processing, crop farming and processing, feed production, aquaculture, and jute-backed carpets, as well as in telecommunications, real estate, retailing, cement, and petrochemicals. CP produces poultry in Turkey, Vietnam, Cambodia, Malaysia, Indonesia, and the United States, as well as animal feed in Indonesia, India, and Vietnam. CP is now involved in shrimp farming, controlling 65 percent of the Thai market, and is the world’s largest producer of farmed shrimp, with sites in Indonesia, Vietnam, China, and India, as Thai farms experience ecological stress.

When we see the extent of a TNC’s concentration of power over regional or global economic activity, where is this kind of development going, and whose future does it serve?

Source: Goss et al. (2000).

**Agricultural Globalization**

With the food aid regime and the green revolution both incorporating Third World countries into international circuits of food and agribusiness technologies, the “world farm” emerged alongside the “world factory.” In this process, many Third World country development profiles switched from a focus on modernizing agriculture as a domestic industry toward developing agriculture as a world industry. A second green revolution facilitated this switch.

As we saw in Chapter 3, beginning in the 1960s, the green revolution encouraged agribusiness in the production of wage foods for urban consumers in the Third World. Beyond that national project, agribusiness technology has spread from basic grains to other grains— especially feedstuffs—to livestock, and to horticultures of fresh fruits and vegetables. Further, agribusiness has created feed-grain substitutes such as cassava, corn gluten feed, and citrus pellets, and biotechnology is creating plant-derived “feedstocks” for the chemical industry. This kind of
agriculture depends on hybrid seeds, chemical fertilizers, pesticides, animal antibiotics, and growth-inducing chemicals, specialty feeds, and, most recently, genetically modified plants. It is a specialized, high-input agriculture servicing high-value markets, in addition to food processing and agrochemical firms. It extends green revolution technology from basic to consumer foods and agro-industrial inputs, and has been termed the second green revolution. A distinguishing feature is that whereas the first green revolution was a public initiative geared to national markets (for staples), its successor is a private initiative increasingly geared to global markets with dietary inequalities.

The second green revolution also contributes to the globalization of markets for high-value foods such as off-season fresh fruits and vegetables. This market is one of the most profitable for agribusinesses. As global markets have deepened and transport technologies have matured, “cool chains” maintain chilled temperatures for transporting fresh fruit and vegetables grown in the Third World to supermarket outlets across the world. U.S. firms such as Dole, Chiquita, and Del Monte moved beyond their traditional commodities such as bananas and pineapples into other fresh fruits and vegetables. By coordinating producers scattered across different climatic zones, these firms reduce the seasonality of fresh fruits and vegetables. Year-round produce availability is complemented with exotic fruits, vegetables, and salad greens.

In this new division of world agricultural labor, transnational corporations typically subcontract with or hire smallholders to produce specialty horticultural crops and off-season fruits and vegetables for export processing (canning, freezing, gassing, boxing, juicing, and dicing) to supply expanding consumer markets located primarily in Europe, North America, and the Asia-Pacific. As the conversion of agriculture into a global, increasingly feminized industry proceeds, it impinges on women’s livelihoods, their food security, and that of their families. Most food consumed across the world is produced by women, accounting for 30–40 percent in Latin America, 50–60 percent in Asia, and 80–90 percent in Sub-Saharan Africa. Women’s lack of security and rights in land means that commercialization easily erodes women’s role in and control of food production. As small farming is destabilized, women must work in the agribusiness sector on plantations and in processing plants, as planters, pickers, and packers, feminizing the global agricultural labor force, and adding to women’s workday, despite income benefits and associated “empowerment.”

**CASE STUDY**

Global Labor in Agriculture and the Question of Food Security

The global fruit and vegetable industry depends on flexible contract labor arrangements. Coordination of multiple production sites, for a year-round supply of fresh produce, is achieved through information technologies. These supply chains disconnect producers and consumers with interesting consequences: consumers are ignorant of the conditions (especially gender inequities) under which their goods are produced, while producers increasingly grow food for distant consumers rather than for their own communities.

Deborah Barndt’s research retraces the journey of the tomato from Mexico to the ubiquitous fast-food and retailing outlets of North America. Naming it “Tomasita,” to underline its ethnic and gendered labor origins, she describes a plant of one of Mexico’s largest agro-exporters, Santa Anita Packers, which in peak season employs more than 2,000 pickers and 700 packers. The improved seed varieties need heavy doses of pesticides, but health and safety education and the required protective gear are lacking. Perhaps a more visually striking indicator of monocultural production is the packing plant, employing hundreds of young women whom the company moves from one site to another as a kind of “mobile maquiladora… the only Mexican inputs are the land, the sun, and the workers. … The South has been the source of the seeds, while the North has the biotechnology to alter them… the workers who produce the tomatoes do not benefit… They now travel most of the year—with little time to grow food on their own plots in their home communities… with this loss of control comes a spiritual loss, and a loss of a knowledge of seeds, of organic fertilizers and pesticides, of sustainable practices such as crop rotation or leaving the land fallow for a year—practices that had maintained the land for millennia.”

The food security of northern consumers depends on Mexican food insecurity. Displaced campesinas (especially indigenous women) work in the agromaquilas or in North American orchards or plantations, earning in a day what takes a week to earn in Mexico.

What are the long-term consequence of a global food system that destabilizes peasant communities and exacerbates southern food dependency for no good reason other than profit and a year-round supply of tasteless tomatoes?

*Source: Barndt (1997: 59–62).*
The New Agricultural Countries (NACs)

As with manufacturing, agribusiness investments first concentrated in select Third World countries (e.g., Brazil, Mexico, Argentina, Chile, Hungary, and Thailand), known as the new agricultural countries (NACs). They were analogous to the NICs insofar as their governments promoted agro-industrialization for urban and export markets. As the development project has receded, agro-exporting has intensified. Such agro-exports have been called nontraditional exports (NTEs) because they either replace or supplement the traditional tropical exports of the colonial era. Nontraditional exports tend to be high-value foods such as animal protein products and fruits and vegetables, or low-value feed grains and biofuels.

Thailand's traditional role in the international division of labor as an exporter of rice, sugar, pineapples, and rubber is now complemented with an expanding array of nontraditional primary exports: cassava (feed), canned tuna, shrimp, poultry, processed meats, and fresh and processed fruits and vegetables. Former exports such as corn and sorghum are now mostly consumed domestically in the intensive livestock sector. Raw agricultural exports, which accounted for 80 percent of Thailand's exports in 1980, now represent 30 percent; processed food makes up 30 percent of manufactured exports. Thailand is a model NAC.

Viewed as "Asia's supermarket," Thailand expanded its food processing industry on a foundation of rural smallholders under contract to food processing firms. Food companies from Japan, Taiwan, the United States, and Europe use Thailand as a base for regional and global export-oriented production. For example, to promote poultry agro-exporting, the Thai government organized a complex of agribusinesses, farmers, and financial institutions with state ministries to promote export contracts, distributing land to landless farmers for contract growing and livestock farming. The feed industry, coupled with low-cost labor, helped Thai poultry producers compete with their U.S. (and now Chinese) counterparts in the Japanese market. Thailand is the world's largest producer of farmed shrimp—a symbol of how consumer affluence and the NAC phenomenon reproduce one another.

Just as the NICs served as platforms for global supply chains in manufacturing, so the NACs have served global sourcing. Three U.S. agribusiness firms have worldwide meat-packing operations, raising cattle, pigs, and poultry on feedstuffs supplied by their own subsidiaries. Cargill, headquartered in Minnesota, is the largest grain trader in the world, operating in 70 countries with more than 800 offices or plants and more than 70,000 employees. It has a joint venture with Nippon Meat Packers of Japan, called Sun Valley Thailand, from which it exports U.S. corn-fed poultry products to the Japanese market. ConAgra, headquartered in Nebraska, owns 56 companies and operates in 26 countries with 58,000 employees. It processes feed and animal protein products in the United States, Canada, Australia, Europe, the Far East, and Latin America. Tyson Foods, headquartered in Arkansas, runs a joint venture with the Japanese agribusiness firm C. Itoh, which produces poultry in Mexico, supplied with U.S. feedstuffs, for both local consumption and export to Japan.

Second, green revolution technologies, and nontraditional exporting, have reorganized agriculture across the world as a "world farm," serving the global market rather than the national project. Increasing quantities of fruits and vegetables are being grown under corporate contract by peasants and agricultural laborers around the world. The global fruit and salad bowl is seemingly bottomless. In an era when much of this production is organized by huge food companies and global supermarkets (e.g., Walmart, Tesco, Carrefour, Ahold) that subcontract with growers and sell in consumer markets across the world, growers face new conditions of work.

From the early 1990s, the average share of supermarkets in food retailing in much of South America and East Asia (other than China and Japan), Northern-Central Europe, and South Africa rose from roughly 10–20 percent (1990) to 50–60 percent by the early 2000s. By comparison, supermarkets had a 70–80 percent share in food retail in the United States, United Kingdom, and France in 2005. A "second wave" spread to parts of Southeast Asia, Central America, and Mexico, and Southern-Central Europe, where supermarket shares of food retailing rose from 5–10 percent in 1990 to 30–50 percent by the early 2000s. A "third wave," reaching 10–20 percent of food retailing by 2003, occurred in parts of Africa (especially Kenya), the remaining parts of Central and South America, and Southeast Asia, as well as China, India, and Russia—these last three being the current frontrunner destinations.

As discussed in Chapter 2, New World farmers (in the Caribbean and the Americas) and non-Europeans (Asians and Africans) have been producing specialized agricultural products for export for some time, but the scale and profitability of export food production have expanded greatly in recent decades as the number and concentration of world consumers have grown, carefully nurtured nowadays by global supermarket chains. This means that the producers must meet high, and increasingly privatized (i.e., corporate), standards of quality and consistency for marketing purposes. Contract farmers, mostly women, are thus vulnerable to changing standards of competition. On agro-industrial estates, women are considered more reliable and attentive as workers than men; and are trained to monitor plant health and growth and to handle fruit and work efficiently. Employers
presume women are more suited to the seasonal and intermittent employments (e.g., harvesting, processing, and packing) necessary for flexibility.\textsuperscript{48}

**Global Finance.**

The globalization of finance accompanies the deepening of transnational production and consumption relationships. Transnational banks (TNBs) formed in the 1970s via a burgeoning offshore capital market. The TNBs were banks with deposits outside the jurisdiction or control of any government, usually in tax havens in places such as Switzerland, the Bahamas, or the Cayman Islands. TNBs made massive loans from these deposits to Third World governments throughout the 1970s.\textsuperscript{49} To understand why this financial globalization occurred, we need to look at the duality of the Bretton Woods system, where national economic growth depended on the international circulation of American dollars.

Bretton Woods maintained stable exchanges of currency between trading states. Fixed currency exchanges stabilized domestic interest rates and, therefore, national economies. Governments could thus implement macroeconomic policy “without interference from the ebb and flow of international capital movements or flights of hot money,” said John Maynard Keynes, the architect of the postwar world economic order.\textsuperscript{50} Within this stable monetary framework, Third World countries pursued development programs with some predictability.

**The Offshore Money Market**

Foreign aid and investment underwrote national economic growth during the 1950s and 1960s, breeding a growing offshore dollar market (that was accessed also by the Soviet Union). This was the Eurocurrency market, initially centered in London’s financial district. Depositing earnings in this market, TNCs evaded Bretton Woods currency stabilizing controls on cross-border movements of capital.

Eurodollar deposits ballooned as U.S. military and economic spending expanded abroad during the Vietnam War. As overseas dollar holdings dwarfed U.S. gold reserves, they became a U.S. liability if cashed in for gold. President Nixon avoided this catastrophe by declaring the dollar nonconvertible in 1971—ending the gold-dollar standard by which all currencies were fixed to a gold value through the U.S. dollar. From then on, national currencies would float in relative value (but with the dollar as the dominant reserve currency). At the same time, the United States liberalized international financial relations (against European and Japanese wishes). Removal of exchange controls protected the autonomy of U.S. policy, separating it from offshore financial claims. Floating exchange rates allowed the United States to shift the adjustment problems of its large deficits on to other investors and states via their speculative purchases of dollars or American assets, or revaluation of their own currencies.

The deregulation of the international financial system signaled a change in the balance of forces. International, U.S. power was waning, as rival economies emerged, and financial deficits from the Vietnam war and overseas corporate investments mounted. Domestically, conservative forces—including an increasingly coherent neoliberal coalition—and multinational corporate interests favored financial liberalization—to reassert U.S. power in the post-Bretton Woods era.\textsuperscript{51}

Deregulation introduced an era of uncontrolled—and heightened—capital mobility as currency speculators bought and sold national currencies. Financial markets, rather than trade, began to determine currency values, and speculation on floating currencies destabilized national finances. By the early 1990s, world financial markets traded roughly $1 trillion daily in various currencies, all beyond the control of national governments.\textsuperscript{52} The loss of currency control by governments threatens their political-economic sovereignty, meaning financial, rather than social, priorities discipline policy content.

**Banking on Development**

Fueled by the 1973 spike in oil prices engineered by the Organization of the Petroleum Exporting Countries (OPEC), the offshore capital market grew from $315 billion in 1973 to $2,055 billion in 1982. The seven largest U.S. banks saw their overseas profits climb from 22 to 60 percent of their total profits in the same time period.\textsuperscript{53} By the end of the 1970s, trade in foreign exchange was more than 11 times the value of world commodity trade. The instability of currencies, and therefore of profitability conditions, forced TNCs to diversify their global operations to reduce their risk.\textsuperscript{54}

In this way, the financial revolution, combined with a flood of petrodollars, consolidated a global production system. With the First World in an oil price-induced recession, global banks turned to Third World governments, eager to borrow and considered unlikely to default. By encouraging massive borrowing, the banks brokered the 1970s expansion in the middle-income Third World countries, now the world-economic growth engine.

In the early 1970s, bank loans accounted for only 13 percent of Third World debt, while multilateral loans made up more than 33 percent. At the end of the decade, the composition of these figures had reversed, with banks holding about 60 percent of the debt.\textsuperscript{55} The departures from the original development model are summarized in the following box.
DEPARTURES FROM THE DEVELOPMENT MODEL IN THE 1970S

The 1970s was a decade of transition, as the development project unwound. First, financial deregulation challenged national sovereignty by opening national markets to cross-border capital flows, destabilizing macroeconomic planning. Second, unregulated private bank lending displaced official, multilateral lending to Third World states, but such debt financing was unsound—too much money was lent on the assumption that countries could not go bankrupt. When the debt crisis hit, austerity measures undid many of the gains of the development project. Third, TNCs produced more and more manufactured goods and agricultural products for world, rather than domestic, markets. Fourth, by the 1980s, the discourse switched to "world market participation" as the key to development.

Willing private lenders represented a golden opportunity for Third World states to exercise some autonomy from the official financial community. By 1984, all nine of the largest U.S. banks were lending more than 100 percent of their shareholders' equity in loans to Mexico, Brazil, Argentina, and Venezuela, while Lloyds of London lent a staggering 16.5 percent of its capital to such countries.

Loans typically served several functions. Political elites sought to legitimize rule with grand public development projects represented in nationalist terms, to strengthen their militaries, and to enrich their patronage networks with lucrative contracts resulting from loans. In Brazil, between 1964 and 1985, a string of military generals pursued the characteristic Latin American nationalist model, using loans to build the public sector in steel, energy, and raw material production. With debt financing, Brazil transformed itself from a country earning 70 percent of its export revenue from one commodity—coffee—into a major producer and exporter of a multiplicity of industrial goods—including steel, aluminum, petrochemicals, cement, glass, armaments, and aircraft—and processed foodstuffs such as orange juice and soybean meal. Rio de Janeiro and São Paulo have new subway systems, railroads take ore from huge mines deep in the interior to new ports, and major cities are linked by a modern telecommunications network.

Between 1976 and 1984, the rise in public foreign debt roughly matched a parallel outflow of private capital to banks in New York, the Cayman Islands, and other financial havens. The composition of Latin American borrowing shifted dramatically between the 1960s and the late 1970s, as official loans fell from 40 to 12 percent, private foreign direct investment fell from 34 to 16 percent, and foreign bank and bond financing rose from 7 to 65 percent. Between 1970 and 1982, the average share of gross domestic investment in the public sector of 12 Latin American countries rose from 32 to 50 percent. State managers borrowed heavily to finance the expansion of public enterprise, sometimes as a counterweight to the foreign investor presence in these economies.

During the 1970s, public foreign debt grew twice as fast as private foreign debt in Latin America. By 1978, foreign loans financed 43 percent of the Mexican government's budget deficit and 87 percent of state-owned companies. As public foreign debt grew in the Third World, regimes reached beyond the ideals of the development project, borrowing to enrich their patronage networks, strengthen power through militarization or grand projects, or simply make up lost ground. During the 1970s, state enterprises across the Third World enlarged their share of the gross domestic product (GDP) by almost 50 percent. Because it was so uncontrolled, debt financing inflated the foundations of the development state. The ensuing debt crisis deepened the vulnerability of Third World development states to banks and multilateral managers, who appeared on the scene in the 1980s.

CASE STUDY Containment and Corruption—Incubating the Debt Crisis

Assigning blame for the debt crisis is complicated. Certainly the old colonial tactic of surrogate rule died hard—for much of the development era, military control was the rule rather than the exception in the Third World, where the West bankrolled dictators as client regimes in the Cold War. Powerful military leaders, such as Ferdinand Marcos of the Philippines, Chile's Augusto Pinochet, and Iraq's Saddam Hussein, ruled through fear as they squandered the national patrimony. An estimated 20 percent of loans by non-oil-exporting countries went to imports of military hardware—in essence, militarizing the development project.

In the Congo, the CIA helped bring President Mobutu to power in 1965 for a rapacious 31-year rule. Mobutu renamed his country Zaire, authenticating his rule in African nationalist terms, but he traded away Zaire's vast natural resources, including a quarter of the world's copper and half its cobalt, for bank (Continued)
loans totaling billions of dollars and half of U.S. aid to Sub-Saharan Africa in the late 1970s. From the spoils, he stashed $4 billion by the mid-1980s, in addition to a dozen European estates to which he traveled on chartered Concorde flights. Under his rule, Zaire gained 500 British double-decker buses, the world’s largest supermarket, and an unwanted steelworks. After the president was deposed in 1996, Mobutu’s family inherited his fortune, and the country inherited his $12 billion debt.

Two years later, when General Suharto was forced to resign, his severance pay was estimated at $15 billion—13 percent of Indonesia’s debt—owed mostly to the World Bank. During Suharto’s dictatorship of 30 years, the World Bank loaned more than $30 billion, some of which went into constructive literacy programs, while more than $630 million underwrote the regime’s infamous “transmigration” program to colonize the archipelago, including massacres in East Timor. In 1997, a secret World Bank memorandum from Jakarta disclosed a monumental development scandal: that “at least 20 to 30 percent” of the Bank’s loans “are diverted through informal payments to GOI [Government of Indonesia] staff and politicians.”

If Cold War containment encouraged military rule and corruption was rife, how did it serve development, and why should the burden of debt repayment be borne disproportionately by the citizen-subjects of these Third World states?


SUMMARY

This chapter has examined the emergence of a global production system. Specialization in the world economy, rather than replication of economic activities within a national framework, has emerged as the new criterion of “development.” NICs and NACs have served increasingly as export platforms for TNCs, which bring technologies of flexible manufacturing and the second green revolution, respectively. As a result, the “world factory” and the “world farm” phenomena have proliferated across the Third World, producing world products for the global consumer class. As jobs have relocated from First World factories to Third World EPZs, a process of labor casualization has occurred, as organized labor in the former has been forced to yield to the competitive low-cost and unorganized labor of the latter, via the exploitation of information technology by TNCs. The formation of a global labor force has involved political decisions that unravel the social compact with First World labor, and cycle Third World labor into sweatshops. Women predominate in the low-skill, low-paid jobs, but “de feminization” occurs as labor organizes, wages rise, and/or industrial upgrading takes place in the NICs and their immediate followers. This pattern represents a transition between state-managed national economic growth in the development project and the international market networks anticipating the globalization project.

In effect, a new global economy was emerging, beyond trade among national economies. Global financial organization mapped on to global production systems emerging via Third World export strategies. Offshore money markets redistributed private capital to governments as loans, and transnational corporations invested in export production. A frenzy of development initiatives ensued, as Third World states sought to emulate the NICs. Public investments complemented and underwrote private enterprise, nevertheless rendering states vulnerable to a debt crisis. As we shall see in the following chapter, when credit dried up in the 1980s, the debt crisis reversed the original reliance on the development state, laying the foundations for the globalization project.

FURTHER READING


SELECT WEBSITES

Gender Equality and Development (UNESCO): www.unesco.org/shs/gender
Global Policy Forum: http://www.globalpolicy.org/home.html
Institute for Agriculture and Trade Policy (USA): www.iatp.org
International Labor Organization (UN): www.ilo.org/
Multinational Monitor (USA): www.multinationalmonitor.org