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## Labour and the Export of Jobs

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Toys, textiles, electronic equipment and sporting goods have begun to be imported in large volumes into the industrial economies from less developed countries—giving rise to heated debate. Some have hailed these developments as the light at the end of the tunnel for the underdeveloped world; others have predicted that they spell the end of full employment and of the upward trend in real wages for workers in the metropolitan economies. Whether or not either of these statements is true is a critical question for those concerned with formulating policy on behalf of the private sector corporations, governments or trade unions. In this brief paper it is proposed to consider this question from the point of view of someone formulating policy in the interests of labour.

The options for the labour movement range from collaboration with current developments, through efforts to divert them in its own interests, to an attempt to disengage from the influence of the international capitalist market. In order to choose between these options an analysis of the forces behind recent patterns of relocation of production is needed.

### **What has happened**

In the course of the debate about the broad implications of these new developments there has been a general tendency to dramatise events, resulting in a widespread belief that a very significant movement of manufacturing industry to the less developed countries has taken place. However, the evidence on this score is highly ambiguous. Indeed one could summarise the decade up to 1974 as one during which the less developed countries as a group managed to achieve an expansion of manufacturing capacity at a slightly faster pace than that being achieved in the developed countries. The net effect was, however, merely to raise the global share of manufacturing output produced in the less developed countries from 6.2 to 6.9 per cent between 1955 and 1972 (UNIDO, 1974: 11).

Furthermore, this modest over-all achievement obscures some very wide disparities. Between 1960 and 1971, seven countries (India, Brazil, Mexico, Venezuela, Pakistan, Egypt, South Korea) increased their share of the manufacturing output produced in less developed countries from 47 to 56 per cent (UNIDO, 1974: 11). This means that the rest of the developing world suffered a decline in their share of global manufacturing output over this period, and

this effect would be strengthened if figures for Hong Kong, Singapore and Taiwan could have been included in the list of those that have increased their share.

If one turns to look at the penetration of international markets by manufactures from the developing world one finds an even more sobering picture. The modest growth in the global proportion of manufacturing output located in these areas has been accompanied by a fall from 5.8 to 5.5 per cent in their share of global manufactured exports between 1965 and 1971 (UNIDO, 1974: 35). The proportion of manufactured imports to the developed economies which emanate from developing countries shows no significant trend for the period 1958 to 1974 (Bienefeld/Godfrey/Schmitz, 1977: 8).

In other words, on a global scale there has been no significant gain by the less developed countries as a whole in their share of manufacturing output or of trade in manufactured goods. While this does suggest that the more wildly optimistic or pessimistic notions about recent developments are unfounded, it does not rule out the possibility that significant developments have occurred in certain subsectors.

This has certainly been the case in particular less developed economies such as the ten previously mentioned. Furthermore there have been significant developments in certain industrial sectors, such as textiles, toys, sporting goods, and certain types of electronic equipment. The future prospects of these developments are naturally of the greatest importance for any attempt to assess their likely significance for the labour movement.

### **The significance of 'national' developments**

The fact that significant strides in industrialisation have been made by certain less developed countries is well known. The implication of these strides is however hotly disputed. While this issue cannot be fully treated in this context, certain features of the situation should be more widely recognised.

In an international market where current suppliers are operating below capacity, and where their ability to expand capacity is virtually unlimited, the opportunity of new entrants to establish themselves is severely limited. The degree of limitation naturally depends in large part on the rate at which this international market expands, with any reduction in the rate of expansion exacerbating the problems of potential new entrants.

However, even the so-called economic miracles of the less developed world have evolved in a way which provides little hope that they could become serious competitors in the world's major manufactured goods markets. Hence even countries like Brazil (Helleiner, 1975) and South Africa (Bienefeld/Innes, 1976), often considered as 'semi-industrialised', have hardly managed to gain entry into any such markets. The proportion of their exports which is made up of manufactured goods (especially if one excludes unworked metals) remains small, and what manufactured goods are exported are almost invariably destined for 'client' regional markets.

Furthermore much of such export activity has to be understood in the context of the global rationalisation of production by existing multinational producers. As such it is prevented, almost by definition, from becoming a serious challenge to these metropolitan firms and hence its ability to expand depends almost exclusively on the general expansion achieved in global markets. Such regional subcontracting may be of two types—it may be designed to serve local national or regional markets, or it may be undertaken in order to produce commodities for re-import back to the metropolitan centres.

The first case is closely related to the second in that the interest of international firms in any such local or regional markets is limited by the extent to which these areas produce internationally tradeable goods, since that is the source of the hardness of their currency—and soft currencies are not interesting precisely because they cannot be spent internationally. This is, of course, why economists talk so frequently about 'export-led growth' and also why the form of subcontracting or relocating which involved production for re-importation to the metropolitan centres was seen as such a very important development.

Unfortunately this form of relocation of production is extremely vulnerable to international phases of the trade cycle and confers a minimum of benefit on the recipient economy. This arises out of the circumstances under which such investment is undertaken and stems from the fact that the investments in question represent the flow of a form of capital which is far more mobile than has been true in the past. Thus, capital which moved abroad to exploit some resource or to serve some local markets was generally in a situation where its location abroad was more or less determined by the location of the markets or the resources in question. On the other hand, capital which moves abroad in order to take advantage of cheap labour and/or favourable tax conditions to re-export commodities to the central economies can effectively choose between a very wide range of alternative locations.

This gives it the opportunity of moving, or of threatening to move, if and when the recipient country or the local labour force seeks to drive a harder bargain.

Furthermore, since local value added is generally low, partly because a substantial portion of the income thus generated accrues to the foreign producer, such production adds little to the net local accumulation of international purchasing power. In other words it does little to ease the most critical constraint under which such economies operate.

A number of economies which have banked heavily on this strategy have already discovered the extreme ambiguity of the benefits derived from it. Ireland and Mexico (NACLA, 1975) in particular have found that the arrival and subsequent departure of such 'runaway' producers has left problems whose costs almost certainly outweigh the benefits previously received.

In other words the successes achieved by those less developed countries depending heavily on 'runaway' industries must be treated with considerable caution. Most certainly the trends involved cannot simply be extrapolated into the future.

Those few economies, such as India and Pakistan, which have achieved some relative increases in manufactured goods exports with little or no 'runaway' industry contribution are in a slightly stronger position, but they still face the fierce competition of existing suppliers and their efforts are also weakened by the fact that their leading industrial sectors are substantially controlled by the dominant multinational firms.

On balance a bleak picture presents itself when one looks at the development of manufactured goods production even in those countries in the less developed world which have had the greatest relative success. From their point of view almost everything would seem to depend on the degree to which the international economy will expand in future, although even such an expansion could be largely produced through expanded production at the centre, without necessarily opening up market opportunities for them.

### **Sectoral developments**

Sectoral developments have also been highly variable. Relocation of manufactured production has mainly affected a variety of import substituting consumer goods such as food and drink, textiles and a variety of consumer durables, as well as a number of items such as toys, sporting goods, electrical and electronic equipment produced abroad on a 'runaway' industry basis for reimportation to a particular central economy.

In some of these sectors there have been substantial shifts in employment, with the numbers employed in certain central economies falling and those employed in some less developed countries rising. Indeed, the fact that those manufacturing activities which have been relocated in the less developed world tended to be the more labour-intensive processes means that on a global scale there has been a slightly greater relative shift to the less developed world in terms of manufacturing employment than was observed in terms of manufacturing value added (Bienefeld/Godfrey/Schmitz, 1977: 16).

In certain sectors this shift has been pronounced, and in particular cases such as textiles, electronics and clothing relatively dramatic falls in employment levels in certain central economies have been associated with the runaway industry pattern.

Unfortunately such diagnoses have often been based on very sketchy information. In the case of textiles, for example, the rapid reduction in the level of employment in a number of European economies has in fact occurred at a time when global employment levels in this industry have been shrinking—albeit at a slower rate (UN, 1976).

In other words, such reductions have occurred as a consequence: of the recession in the international economy; of the technical changes which continue to revolutionise mass production; of the rationalisation of production which has occurred within the industrialised world; of the general shift of employment into tertiary activities which has characterised advanced capitalism. When the shift to production in less developed countries is added to this list it is readily seen to be but one element in a complex situation.

Indeed the runaway phenomenon came to loom as a serious threat only after the recession had begun to undercut the process by which alternative employment opportunities were being created in other sectors to compensate for the losses in the declining sectors. Indeed that process had been interpreted as one with favourable implications for workers in the central economies in so far as it implied a new global division of labour in which the central economies specialised increasingly in technical research and managerial/administrative activities (Palloix, 1975).

Naturally this does not deny that such structural shifts implied disruption and hardship for workers in the shrinking industries, and for entire regions where such industries were concentrated. It does however suggest that even in such industries or regions it is misleading and ineffective for labour leaders to focus on the export of jobs as *the* critical issue.

Furthermore these developments have taken place at the same time as a substantial concentration has occurred in the extent of control exercised by the 200 largest multinational firms (UNCTAD, 1976). In other words a form of decentralisation has accompanied a parallel trend to greater centralisation, a trend which confirms the centripetal tendencies of capitalist development. Hence the international relocation of certain parts of the production process appears as an aspect of the increased concentration of the control of production, and since that control lies in the hands of organisations based in the metropolitan centres, its potential for solving less developed countries' problems of market access becomes critically constrained.

#### **Conflicts of interest**

Obviously and unfortunately there is a conflict of interests between an excess of workers competing for a limited number of jobs. Historically it is equally obvious that such 'conflicts' between various groups of workers—whites and blacks, immigrants and locals, skilled and less skilled—have been systematically used to undermine the unity of labour. From a labour perspective it is necessary to attempt to develop a position of solidarity without simply denying the existence of a certain conflict of interests.

First and foremost this requires an analysis of the causes of the problem. If the problem is one of inadequate employment this must be recognised as a global and as a cyclically endemic problem of capitalism. When the animal spirits of investors begin to flag, and when recession at one and the same time exerts a negative influence on markets and induces more strenuous efforts to rationalise production, it is pathetic to define as the major problem other workers who may be fortunate enough to have the opportunity to earn a wage.

What the response of labour should be to such developments can be derived only from an analysis of such capitalist crises.

If these are seen as temporary aberrations which can be cured by a clever manipulation of interest rates, money supplies and public expenditure, then those who represent the interests of labour may reasonably argue that a collaborative stance is in the best interests of their constituents.

If these are seen as aberrations which can be cured only by a massive dose of unemployment, then the representatives of labour must surely ensure that the costs of such a 'cure' are shared equitably in proportion to the ability to pay.

If on the other hand they are seen as endemic problems which recur on a massive scale over protracted periods, then it is surely necessary to consider the removal of those very conditions which reproduce the tendency towards crisis.

These issues cannot be developed within the confines of this paper, and yet a labour position on the internationalisation of production must be based on a view about them. It cannot be based merely on a counting of jobs or a comparison of relative rates of expansion. The fact that such questions are highly political, and also extremely complex, does not make them any more avoidable.

When the system's performance is viewed on a global scale its failures become more glaring. On that scale a protagonist of the interests of labour would be much harder pressed to defend the hypothesis that large-scale unemployment was a temporary aberration, or was amenable to marginal policy shifts. Indeed the crying out for a 'New International Economic Order', even by those who seem to have every faith that the system can overcome its problems, merely attests to its critical deficiencies in this respect.

Naturally it is in times of recession that the impulse to save himself who can becomes strongest. Hence the rise of nationalist, protectionist attitudes at such times, and the desire, while sympathising with the global problem, to attempt to extricate one's own group from its consequences. While it would be foolish to deny that union members demand such protection of their leaders, it would be equally foolish to pretend that that was a sufficient justification for the formulation of such demands. The critical question yet again concerns the method by which it is determined within the present system how many are to be 'saved' and who they shall be. After all, protectionism has historically proven a most ambiguous medicine.

Certainly the textile workers of Hong Kong are not the cause of the current problems of the textile workers of Lancashire. On the other hand it is increasingly within the power of capital to shift production and to play off one group of workers against another, and in a world of massive global unemployment that power undermines the strength of labour. Furthermore, until a position of 'quasi full employment' is reached in the international labour markets, such a process is most likely to equalise the conditions of labour by levelling down. In the final analysis labour can protect itself from these developments only by undercutting the process itself. Since that possibility exists only at the national level, this would mean that labour must seek to introduce social direction over major investment decisions. In such a context conflicts of interest between different groups of workers would still exist, but, since exaggeration of these conflicts would no longer provide ideological underpinning for a failing system, the chances of resolving them would be immeasurably improved.

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