The Global Division of Labour and the Division in Global Labour

2011

Timothy James Kerswell (BSSc. (Hons))

Queensland University of Technology: School of Humanities and Human Services

Doctor of Philosophy (IF49): Thesis

Contents

List of Tables, Charts and Illustrations 3

Abstract 4

Key Words 5

Statement of Original Authorship 5

Acknowledgements 6

Chapter 1 – Introduction 7

Chapter 2 – Economic Differences between Workers 28

Chapter 3 – Developing a Framework to Explain Differences between Wages 66

Chapter 4 – The Politics of Global Labour: Production, Consumption and Class 123

Chapter 5 – Case Studies: Comparison of Commodity Chains 184

Chapter 6 – Understanding National and Global Institutions 208

Chapter 7 – International Labour Institutions: The Legacy of the 20th Century 229

Chapter 8 – The Emergence of Alternatives to 20th Century Institutions 296

Chapter 9 – Conclusion 325

Bibliography 334

List of Tables, Charts and Illustrations

Table 1: Data Reporting Comparisons UNIDO And ILO (US$)	p42
Chart 1: Average Automobile Wages (Us$)	p43
Chart 2: Average Automobile Wages (Ppp$)	p44
Table 2: Country Ranking - Productivity (Automobiles)	p46
Chart 3: Wages And Productivity (Automobiles)	p46
Chart 4: Average Garment Wages (Us$)	p48
Chart 5: Average Textile Wages (Us$)	p49
Chart 6: Average Garment Wages (Ppp$)	p50
Chart 7: Average Textile Wages (Ppp$)	p51
Table 3: Country Rankings - Productivity (Garments)	p52
Chart 8: Wages And Productivity (Garments)	p53
Table 4: Country Rankings - Productivity (Textiles)	p53
Chart 9: Wages And Productivity (Textiles)	p54
Table 5: Average Weekly Work Hours	p55
Chart 10: Average Weekly Work Hours And Wages - Automobiles	p56
Chart 11: Average Weekly Work Hours And Wages - Textiles	p57
Chart 12: Average Weekly Work Hours And Wages - Garments	p57
Chart 13: Average Weekly Work Hours And Productivity - Automobiles	p58
Chart 14: Average Weekly Work Hours And Productivity - Textiles	p58
Chart 15: Average Weekly Work Hours And Productivity - Garments	p59
Table 6: Relative Productivity Including China	p62
Table 7: Average Hourly Labor Compensation In Manufacturing (2009)	P63
Figure 1: Distribution Of Value Between Spheres	p148
Figure 2: Hypothetical Distribution Of Value Between Spheres If No Capitalist Sphere	p149
Table 8: Types Of Labour And Source Of Value Compensating Labour Power	p150
Figure 3: Sources Of Social Services Income In A Consumption Economy	p157
Figure 4: Social Services Income In A Production Economy	p158
Figure 5: Automobile Commodity Chains	p194
Table 9: Comparison Between Lead Firm And Supplying Firm Size	p200
Table 10: Comparison Of Lead Firm Organizational Characteristics	p201
Table 11: Comparison Of Host Country Features In The Supplying Firm	p202
Figure 6: Distribution Of Value In Commodity Chains	p204
Table 12: How The ILO Calculates Number Of Delegates Per Organization	p263
Table 13: Key Labour Market Characteristics And ITUC Representation	p273
Table 14: Corporations And Unions Who Have Signed International Framework Agreements	p288-289

Abstract

Since the 1980s the locus of manufacturing and some services have moved to countries of the Global South. Liberalization of trade and investment has added two billion people to world labour supply and brought workers everywhere into intense competition with each other. Under orthodox neoliberal and neoclassical approaches free trade and open investment should benefit all countries and lead to convergence. However considerable differences in wages and working hours exist between workers of the Global North and those of the Global South. The organising question for the thesis is why workers in different countries but the same industries get different wages. Empirical evidence reviewed in the thesis shows that productivity does not explain these wage differences and that workers in some parts of the South are more productive than workers in the North. Part of the thesis examines the usefulness of explanations drawn from Marxist, institutionalist and global commodity chain approaches.

There is a long established argument in Marxist and neo-Marxist writings that differences between North and South result from imperialism and the exercise of power. This is the starting point to review ways of understanding divisions between workers as the outcome of a global class structure. In turn, a fault line is postulated between productive and unproductive labour that largely replicates the division between the Global North and the Global South.

Workers and their organizations need shared actions if they are to resist global competition and wage disparities. Solidarity has been the clarion of progressive movements from the Internationals of the early C19th through to the current Global Unions and International Confederation of Trade Unions (ICTU). The thesis examines how nationalism and particular interests have undermined solidarity and reviews the major implications for current efforts to establish and advance a global labour position.

Key agents discussed are the more established agencies of the ICTU and International Labour Organization and the provisional groupings built around social movement unionism and the World Social Forum.

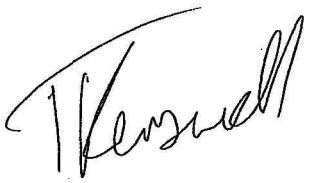
Key Words

Labour, Political Economy, Global South, Third World, Globalization, Marxism, Unequal Exchange, Global Commodity Chains.

Statement of Original Authorship

The work contained in this thesis has not been previously submitted to meet requirements for an award at this or any other higher education institution. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made.

Signature



Date

17 March 2011

Acknowledgements

To those many people who have inspired and supported me whether in the undertaking of this project or long before it began, I express my sincerest gratitude. For their unique and instrumental role in support of me, I feel particularly fortunate to thank and to highlight some people without whose unique and instrumental contributions I feel I could not have even attempted this project.

Firstly, I would like to thank my parents, Barbara and Dennis, for the sacrifices they have made for me and for always encouraging and motivating me to fulfil my potential in each and every thing I do.

Secondly, I would like to thank my wife Prerna, for being the custodian of my sanity, for her understanding and friendship, and for her steadfast belief in me.

Last but not least, I would like to thank my supervisor and mentor, Howard Guille, for encouraging and nurturing me as a scholar. In difficult circumstances, I feel he has far surpassed what is expected of a supervisor. To me, he will always remain a role model and an ideal example of what it means to be an educator.

Chapter 1 – Introduction

The liberalization of trade and investment over the last two to three decades has effectively added two billion people to the world labour supply principally in China, Russia, Eastern Europe, Brazil and Argentina. Simultaneously countries in the Global South have become the main source of a range of manufactures especially automobiles and automobile parts, clothing and textiles, footwear, toys and domestic whitegoods.

The sheer scale of these changes is bringing workers in different countries into more intense competition with each other. As noted by Freeman, while the global labour supply has doubled[1], the new entries to the global labour market brought a relatively small amount of capital to the global supply[2]. This has led to an increase in the ratio between the supply of labour and the supply of capital leading to intense competition[3]. This is occurring in both manufacturing and services and while the notion of a global 'race to the bottom' may be over-simplified, there is little doubt that global employers and investors are able to play off national workforces and national labour unions against each other. As noted by the United Nations Industrial Development Organization:

> "Between 1975 and 2000, rich countries were losing their global share of employment in manufacturing; 24 of the 28 manufacturing sectors in the OECD countries registered sharp declines in their global share of employment. Fast-growing middle-income countries also lost significant employment shares in such mass manufacturing industries as textiles,

[1] Freeman, Richard. (2006). *The Great Doubling: The Challenge of the Global Labor Market.* Available from: http://emlab.berkeley.edu/users/webfac/eichengreen/e183_sp07/great_doub.pdf [Online] Last accessed: 31 October 2010, p1
[2] *Ibid.* pp2-3.
[3] *Ibid.*

while slow-growing middle-income countries lost ground more extensively, with significantly declining global employment shares in 17 sectors[4]."

Competition between workforces and its manipulation by capital, occurs between 'developed' countries' (hereafter referred to as the global North), between 'developing' (hereafter referred to as the global South) and 'developed' countries and between 'developing' countries. Usage of the terms North and South to describe groups of countries originated in a report by then German Chancellor Willy Brandt on "agricultural development, aid, energy, trade, international monetary and financial reform, and global negotiations[5]." Brandt noted that, "the commission broadly groups the developing countries as those that occupy the southern hemisphere and developed countries as those that occupy the northern hemisphere, whilst acknowledging exceptions to this and emphasising the common global economy that they all must exist within[6]."

Palley noted that the critical developments which have led to the increase in the global labour supply and shifts in global manufacturing include:

"1. Changed technological and organizational conditions that have created a new world of »barge economics« in which capital and technology are globally mobile. 2. Changed competitive conditions brought about by the adoption of a new global sourcing business model. 3. Neo-liberal trade

[4] United Nations Industrial Development Organization. (2009). *Industrial Development Report 2009.* Available from: http://www.unido.org/fileadmin/user_media/UNIDO_Header_Site/Issues/IDR_summary.pdf [Online] Last accessed: 31 October 2010, p12.
[5] Centre for Global Negotiations. (2010). *The Brandt Equation: 21st Century Blueprint for the New Global Economy.* Available from: http://www.brandt21forum.info/About_BrandtCommission.htm [Online] Last accessed: 31 October 2010.
[6] Share the World's Resources. (2010). *A Summary of the Brandt Report.* Available from: http://www.stwr.org/special-features/the-brandt-report.html#setting [Online] Last accessed: 31 October 2010.

and financial policies that have removed barriers to international movements of goods and money[7]."

As a result of these changes, Palley observes that there has been the creation of North-North competition, North-South competition, and South-South competition[8].

Schwartz observes that competition between countries in the global North for Foreign Direct Investment has led to "job losses as domestic firms adapt to higher productivity levels or simply exit the market[9]." North-South competition can be seen in the decision of Australian garment manufacturer Pacific Brands to relocate its production from Australia to various sites in Asia[10], but also in data from the United Nations Industrial Development Organization which reports a global fall in manufacturing value added from the "developed" countries from 2000 to 2005[11]. An example of South-South competition can be seen in competition between China and Mexico in apparel production for the US market. Both countries have experienced downward pressures on wages from 1990 to 2000[12].

Despite this both countries have also witnessed a drive to relocate production in search of even lower labour costs than are available at traditional manufacturing sites[13]. The competition between workers which flows from the drive to relocate production costs is one of the critical subjects of this thesis. Central to this discussion are the international differences in the wages received for performing

---

[7] Palley, Thomas. (2009). A Labor Perspective on Globalization. *Internationale Politik und Gesellschaft.* Vol 2., p29.
[8] *Ibid.,* p30.
[9] Schwartz, Herman. (2001). *Round up the Usual Suspects! Globalization, Domestic Politics and Welfare State Change.* Available from: http://people.virginia.edu/~hms2f/round-up.html [Online] Last accessed: 31 October 2010.
[10] Schneiders, Ben, Sharp, Ari and Murphy Katharine. (2009). *Work heads offshore as Pacific Brands axes jobs.* Available from: http://www.theage.com.au/national/work-heads-offshore-as-pacific-brands-axes-jobs-20090225-8hxk.html [Online] Last accessed: 31 October 2010.
[11] United Nations Industrial Development Organization. (2009). *Industrial Development Report 2009,* p. 11.
[12] Ross, Robert and Chen, Anita. (2002). From North-South to South-South: The True Face of Global Competition. *Foreign Affairs.* Vol 81 September/October, pp10-11.
[13] *Ibid.,* p12.

the same work. These differences will be illustrated and discussed within various frameworks in the following chapters, in an effort to establish why people are paid differently for the same work.

From the perspective of capital, global differences in wages are a key factor to exploit in order to achieve maximum profitability on investments. By contrast for a labourer, wages help to determine household income and as such are critical in influencing the life chances not only of the wage earner but also of their household. The fact that labourers continue to work despite global downward pressure on wages suggests that for labourers there is no alternative to date than to keep working and hope that conditions will improve. As previously noted by Freeman, the extent of the global labour supply is immense. As such work, particularly formal work, can be seen almost as a luxury and the number of people willing to replace any worker is plentiful.

On a macro scale this situation has led governments, particularly in the global South, to adopt policy positions which maximize the competitiveness of their workforces and thus attract capital. The corollary of this is that labour standards are sidelined as an issue. An example of such an approach can be seen in the rejection of the linking of trade and labour standards within the World Trade Organization by various governments in the global South. This policy position was formed on the basis of an argument that it would undermine the competitive advantage which South countries have in terms of a low wage workforce which is attractive to capital, and that the attempt to link trade and labour standards is a form of protectionism emanating from sectional interests in the global North[14].

The very way in which the global differences among workers are understood affects the way in which workers and unions are able to mount common and shared actions in response to global competition. Broadly speaking the

[14] Salazar-Xirinachs, Jose. (2000). The Trade-Labor Nexus: Developing Countries' Perspectives. *Journal of International Economic Law.* Vol 3, Iss 2., pp380-381

approaches can be divided into two main camps. On the one hand both the neoliberal and modernisation schools see workers' fortunes as being bound up with the expansion of capital, and see differences between workers as something that will be resolved by development over time. Such an approach leads to a conciliatory stance when engaging with capital. An example of this can be seen in the form of the All China Federation of Trade Unions which has lent its unconditional support to China's market reforms[15] and has directly suggested that the improvement of workers' conditions is conditional on international competitiveness in production[16].

On the other hand, some unions such as the Congress of South African Trade Unions adopt an approach where power within the global political economy is an important factor in determining outcomes for workers irrespective of the level of development. Such an approach leads to efforts to build solidarity between global workers as a means of empowerment. As noted by Nash, historically efforts in relation to global solidarity have been defeated[17], and it will be seen that this has been largely the result of national self-interest. The seminal expression of global labour solidarity is to be found in the Communist Manifesto with Marx and Engels' clarion call for workers of all lands to unite[18]. Marx however noted differences between workers undermined efforts toward solidarity. In a letter to Engels he observed that "All English industrial and commercial centres now possess a working class split into two hostile camps: English proletarians and Irish proletarians. The ordinary English worker hates the Irish worker because he sees in him a competitor who lowers his standard of

[15] All-China Federation of Trade Unions. (2007). *A Brief History of the ACFTU's Development.* Available from: http://www.acftu.org.cn/template/10002/file.jsp?cid=65&aid=214 [Online] Last accessed: 31 October 2010.
[16] Rongshu, Chen. (2004). *Impacts of Globalization on the Trade Union Movement.* Available from: http://english.acftu.org/template/10002/file.jsp?cid=40&aid=105 [Online] Last accessed: 31 October 2010.
[17] Nash, Bradley. (1998). Globalizing Solidarity: Praxis and the International Labor Movement. *Journal of World Systems Research.* Vol 4, No 1, p1.
[18] Marx, Karl. (2010). *Manifesto of the Communist Party.* Available from: http://www.marxists.org/archive/marx/works/1848/communist-manifesto/ch01.htm [Online] Last accessed: 31 October 2010.

life…[19]." The first historic example of the defeat of Marx's vision occurred as most of the parties to the Second International broke with the effort of building solidarity in favour of supporting the role of their respective nations in the First World War[20].

Following the Second World War, the building of labour solidarity became captive to the politics of the Cold War. The development of a single international representative body of trade unions in the form of the World Federation of Trade Unions was undermined by the politics of the Cold War with the global trade union movement being largely divided between the US backed International Confederation of Free Trade Unions, and the Soviet backed World Federation of Trade Unions. The history of the trade union internationals will be given greater attention in chapter 7; however the example demonstrates how international labour solidarity was constrained by the cold war.

Even within what appear to be solidaristic efforts, national interest can cast a shadow over solidaristic responses to globalization. In 1990 Rothstein, himself a trade union activist in the United States, suggested that:

> "Almost every trade union goal we can imagine pits unionists of competitor nations against each other...Does the union really want to assist Dominican trade unionists compete on non-labor cost factors? Surely not. Any competitive edge which Dominican firms get will enhance the attractiveness of job flight from the US to the Dominican Republic. In fact we are interested in helping the Dominican trade unionists to organize and

[19] Quoted in Dixon, Norm. (2000). Marx, Engels and Lenin on the National Question. *Links: International Journal of Socialist Renewal.* Issue 13.
[20] Lenin, Vladmir. (1964). *Collected Works.* Progress Publishers: Moscow, pp207-9. See also: Firstworldwar.com. (2010). *Second International.* Available from: http://www.firstworldwar.com/atoz/secondinternational.htm [Online] Last aaccessed : 31 October 2010.

increase their wages, precisely so that they will have more difficulty competing[21]."

From this example it can be seen that workers' interests in the global North are pitted against workers in emerging manufacturing sectors in the global South.

Despite this there are examples of support from workers in the global South as well as the global North of approaches which stress minimum standards. One such example can be found in the approach that is taken by the Congress of South African Trade Unions (COSATU) as well as The Norwegian Confederation of Trade Unions (LO Norway) in response to globalization. COSATU supports the idea of a social clause which prescribes a set of minimum labour standards which must be observed by a country in order for South Africa to trade with it[22].

In supporting the social clause, COSATU and LO Norway both recognise that structural differences in the global economy shape competition between workers which can only be regulated through a multilateral agreement on core labour standards. LO Norway suggests that the "substantive issue (of wages and working hours) will still have to be addressed by workers and unions at national and local level. The proposed core labour standards will thus not lead to better working conditions by themselves, but rather they are meant to create conditions in which trade unions can improve working and living conditions of workers[23]." The issue of the efforts to have a social clause embedded in multilateral trade will be discussed in detail in Chapter 7.

---

[21] Rothstein, R. (1990). Letter to John Hudson at ACTWU. In, Johns, Rebecca. (1998). Bridging the Gap between Class and Space: US Solidarity with Guatemala. *Economic Geography.* Vol 74, Iss 3, p256.
[22] COSATU. (1995). *COSATU Strategy Workshop.* Available from: http://www.cosatu.org.za/show.php?include=docs/pr/1995/pr1025.html&ID=711&cat=Media%20Centre [Online] Last accessed: 31 October 2010.
[23] Jauch, Herbert. (2004). *WTO, NEPAD and Social Clauses: a Trade Union Challenge.* Partners' Conference of LO Norway in Maputo, Mozambique, p10.

Some accounts question whether or not common action is even desirable. These accounts are based around a theory of imperialism as the explanatory cause for differential living standards between workers in the global North and workers in the global South. The origins of such an approach can be seen in dependency theory, in particular *The Development of Underdevelopment* by Andre Gunder Frank, and also in the World Systems Theory approach pioneered by Immanuel Wallerstein. These approaches explain different levels of development as the result of structural divides emerging from historically produced relationships of dependency between rich and poor countries and will be discussed in detail in Chapter 3.

A perspective in the tradition of writings on imperialism dealing specifically with wages can be found in Emmanuel who explains the high wages in rich countries as being the result of low wages in poor countries. Other writings which are suggestive of stratification within the global labour force include the political writings of figures such as Lin Biao in *Long Live the Victory of People's War* and V.I.Lenin in *Imperialism: the Highest Stage of Capitalism*. These perspectives stress structural differences between workers in rich and poor countries that are necessary to overcome for the conditions of workers in poor countries to improve. These authors also suggest that workers in the rich countries are beneficiaries of the conditions faced by workers in poor countries. Such approaches, also discussed in Chapter 3, would suggest the need for cooperation between workers in the poor countries alone. This approach is suggested by some contemporary writers such as Ross and Chan[24].

The majority of labour praxis has fallen along a continuum which at the one end involves the idea of global solidarity of all workers, typified by Marx in his call for workers of all lands to unite[25]. In the contemporary discussion this perspective can be seen in the work of Robinson and Harris who suggest that globalization

[24] Ross, Robert and Chen, Anita. (2002), p13.
[25] Marx, Karl. (2010). *Manifesto of the Communist Party.* Last accessed:

is shaping the world into two opposing classes, a global capitalist class and a global working class[26]. On the other end is a nationally based approach as typified by the All China Federation of Trade Unions and the United States AFL-CIO who, as will be revealed in following chapters, both pursue a national interest. Within this continuum there is the notion of global institutions which set minimum labour standards, and ideas of solidarity that are less all encompassing than that of Marx such as those which emphasise South-South cooperation between workers. It is within this context that I intend to contribute to the debate about what can be and what should be the most appropriate labour praxis in the global political economy.

As a body of scholarship within the discipline of political economy, radical political economy in the broadest sense seeks to understand and to conduct a critique of the prevailing political economy. This requires identification of the structural sources of power which produce the existing arrangements, and the identification of agent forces which have the potential to alter these arrangements. As a body of scholarship, it seeks to give a voice to the marginalized, and to illuminate potential paths for the transformation of their life and work. Specifically this has involved the incorporation of labour into accounts of what is happening in the world and in this sense it distinguishes itself from liberal accounts of economics and politics.

Radical political economy can largely be summed up by the following quote from Barone that, "although today radical political economy embraces several different strands of thought, a common research program that emphasizes, the importance of class domination, exploitation, inequality, and cyclical instability unites radical economists[27]."

[26] Robinson, William and Harris, Jeremy. (2000). Towards a global ruling class? Globalization and the transnational capitalist class. *Science & Society.* Vol 64, Iss 1, pp22-3.
[27] Barone, Charles. (2004). *Radical Political Economy.* M.E.Sharpe: New York, p4.

Spencer in evaluating the contribution of radical political economy notes that: "Radical economists criticized neoclassical orthodoxy for ignoring capitalist exploitation and domination. Its narrow focus on the apparent harmony and equality of exchange was judged to miss the fundamental conflict of interest between capital and labour based on dispossession and alienation[28]." It is notable that the majority of the literature concerning globalization, even from a critical or radical perspective, is silent on the structural situation of labour.

In locating this project within radical political economy I am drawing on lineages which have sought to highlight, understand and change the structural situation of labour within capitalism, namely the Marxist and institutionalist traditions. These traditions understand political economy through the structural relationship between labour and capital, and in the case of institutionalist political economy, the mitigating institutions which regulate capitalism.

Marxism places workers and their structural relationship with capitalists and other workers at the centre of its understanding of political economy, and of the conditions of the workers themselves. The following quote is illustrative of this:

> "In proportion as the bourgeoisie, i.e., capital, is developed, in the same proportion is the proletariat, the modern working class, developed — a class of labourers, who live only so long as they find work, and who find work only so long as their labour increases capital. These labourers, who must sell themselves piecemeal, are a commodity, like every other article of commerce, and are consequently exposed to all the vicissitudes of competition, to all the fluctuations of the market[29]."

[28] Spencer, David. (2000). The Demise of Radical Political Economics? An essay on the evolution of a theory of capitalist production. *Cambridge Journal of Economics.* Vol 24, Iss 5., p457.
[29] Marxist Internet Archive. (2010) *Manifesto of the Communist Party: Chapter 1.* Available from: http://marxists.org/archive/marx/works/1848/communist-manifesto/ch01.htm [Online] Last : 8 December 2010.

Building on the foundation of the structural antagonism between labour and capital, strains of Marxist thought from Marx onward have also considered the relationship between countries and between various sections of the working class which themselves are products of structural divisions. The early foundations of radical political economy were built through the Marxist critique of imperialism in the early 20th century which problematised the relationship between imperialist countries and colonies. During this time Lenin also developed the concept of the labour aristocracy positing a relationship between higher paid workers in imperialist countries, and the exploitation of workers in the colonies.

After the Second World War a number of important contributions were made to radical political economy including Baran's *The Political Economy of Growth*, which treated underdevelopment as the result of the draining of national surplus away from underdeveloped societies by monopoly capitalism. Additionally the dependency, world systems and unequal exchange schools sought to understand developmental differences through reference to the structural situation of labour.

Radical political economy as a tradition has also been influenced by institutionalist political economy, of which the seminal work is that of Polanyi. In response to the neoclassical idea that the market is the sole natural distributional mechanism, Polanyi's critique argued that the market has only ever been and can only ever perform an auxiliary function in relation to society. According to this view social and political institutions are critical to the functioning of human societies, and critical in determining economic outcomes. Bringing together these two understandings of political economy has enabled a synergy in terms of an approach focused on the structural position of labour within the global political economy which also involves an examination of the institutions which mediate the forces of capitalism.

This work is an attempt to reexamine some of the key ideas which have been developed in radical political economy in the 20th century. The first key idea is the notion of unequal exchange, an argument developed by Arghiri Emmanuel in 1962 that there could be an exploitative transfer of value between classes and countries. The unequal exchange perspective developed out of work by Emmanuel, and along with the works of Baran, the Singer-Prebisch hypothesis about unequal development and the dependency and world systems approaches of Andre Gunder Frank and Immanuel Wallerstein. Unequal exchange will be revisited as a possible explanation for wage differences in the global political economy.

The second key idea is divisions within the working class. The idea of a divided working class has been raised at numerous points largely by Marxist theoreticians. Correspondence between Marx and Engels suggested that they were aware of a division between the better off English workers and their Irish counterparts. Following this and in relation to their theory of Imperialism, in the 1910s and 1920s Lenin considered that the enrichment of the working classes of imperialist countries led to their formation as a labour aristocracy, a class that was structurally distinct from the rest of the working class. This argument was also advanced by Gregory Zinoviev, however only in relation to an upper stratum of skilled workers as opposed to the imperialist working class as a whole[30]. This argument was then picked up by theoreticians such as Emmanuel and political figures such as Lin Biao in the 1960s in an attempt to forge alliances between workers in the global South. In reexamining the possibility of divisions within the working class, attention is drawn to possible problems for global labour when attempting to respond politically to globalization and to global capital.

The third and final key idea to be examined is the notion of global commodity chains. Developed by Hopkins and Wallerstein in the early 1990s, global commodity chain analysis finds its roots in the world systems perspective with

[30] Zinoviev, Gregory. (1942). The Social Roots of Opportunism IV. *New International, pp153*-7.

global commodity chains acting as the links between national economies in a world system. Global commodity chain analysis has since been developed by Gereffi who in applying this method of analysis to various industries noted key differences in the ways that commodity chains are organized, and the implications this has for various stakeholders. My contribution to commodity chain analysis will be in relation to the role of labour within a global commodity chain perspective.

With competition between production workers becoming increasingly fierce it is also increasingly important for workers and their representatives to develop a response to the pressures of a globalized capitalism. These key ideas are useful in understanding increased competition between production workers, and shaping responses to this. In addition to workers and their representative organizations these issues would be of importance to various other political actors such as Non Government Organizations, political parties and States as they attempt to find a way to improve workers' wages and conditions in a globalized world. As capital has demonstrated a capacity to work globally and to induce competition between countries it seems increasingly likely that solidaristic action beyond the national level is required in order for workers' conditions to change.

Solidaristic responses to capital from labour from the First International to the Communist International to the International Labour Organization and the various trade union internationals have come in predominantly international rather than global forms. Given this the history of labour solidarity in the 20th century has coincided with the history of struggle between nation states from the immediate aftermath of the Second World War to the 1990s, a period largely dominated by Cold War politics. As a result of this the various political and industrial organizations such as the International Labour Organization and the attempts to form trade union internationals became sites of Cold War conflict. In

light of this and in a post Cold War context the main political and industrial organizations representing labour will be revisited in this thesis to determine whether they are likely to influence the development of the now globalized capitalism.

In addition to this in the 21st century there is an emerging nexus between labour and various social movements. As noted by Munck, "in broad terms we can say that labour is now increasingly organizing to confront actually existing globalization. It drives this both in classic Marxist ways with the emerging proletariat in the global South and in alliance with broader social movements…[31]." Waterman suggests that the Global Justice and Solidarity Movement exemplified by the World Social Forum has challenged the traditional labour movement and labour institutions and with these, "challenged old understandings of labour[32]." In this context social movement unionism and its global manifestations will also be discussed.

Globalization continues to shape and reshape both global production and global politics. In relation to these reshaped global conditions this thesis contributes to the understanding of the political economy of globalized production, in particular in relation to some of the world's most significant traded commodities in the form of automobiles, garments and textiles. In addition to this it makes a case for the continued relevance of Marxist class analysis by placing class within a global context stressing both the commonalities and schisms that exist between workers around the world.

A key element of the thesis is to seek to explain and understand the cross-national wage differences which will be examined at length in Chapter 2. Two polar explanations will be contrasted; one is the neo-classical model that wages

[31] Munck, Ronaldo. (2010). Globalization, Crisis and Transformation: A View from the South. *Globalizations.* Vol 7, Iss 1,, p243.
[32] Waterman, Peter. (2004). Adventures of Emancipatory Labour Strategy as the New Global Movement Challenges International Unionism. *Journal of World Systems Research.* Vol 10, Iss 1, p226.

are set according to the marginal productivity of workers so that differences in wages result from differences in productivity. According to this position, wage differences and productivity differences will disappear as fully functioning and flexible markets lead to convergence.

The alternative polar explanation is that workers get different wages because of where they and their countries are located in the global division of labour. At the plainest workers in 'poor' countries are poor because the country is poor. This is a structural explanation in which institutional arrangements are a product of the history and politics of a given country and region. While neoclassical economic theories posit the eventual convergence between workers and countries, neo-Marxist structural theories suggest that the differences between workers and countries act to the advantage of capital and workers in rich countries. Furthermore institutionalist theories suggest that the prevailing situation in the global political economy is unlikely to change without a method of regulating global capitalism.

The essence of capitalism is the production and consumption of commodities. The unique feature of this social system is the role of labour in production at which point new value is created and the system is sustained. The issue of production and consumption is a central theme in all of the following chapters from an examination of productivity and wages, the process of production itself, and the various forces which determine the global distribution of value and thus the ability of various entities to consume. I have endeavoured to orient the discussion around the process of production and following this to draw political conclusions. In doing so labour is placed at the centre of the discussion about the global political economy. In addition to the focus on production I have also endeavoured to demonstrate that labour is not a homogenous entity. Various aspects of labour can be seen to benefit from the extraction of surplus value from other workers leaving open the possibility of new understandings about political alliances in a globalized world.

Methodology

From a methodological perspective the project uses a mixed methodology and is deductive in its approach. It draws on empirical comparisons and case study evidence in relation to the garment/textile and automobile industries. The conclusions drawn from these observations will inform my assessment of various approaches in understanding the global political economy. Following this further studies of organisations and institutions which advocate for or represent workers will be examined in order to find an explanatory cause for the wage differentials between the global North and the global South but also to contribute to the debate about future political praxis for labour advocates, in particular in the global South.

Limitations

There are some limitations to my approach concerning this question methodologically, technically and linguistically which I will declare.

It is with regret that I confronted this project with limited skills in languages other than English meaning this thesis is one of a predominantly monolingual English speaker. In reviewing the literature on the various subjects contained in this work, there were some French, Spanish and Japanese sources which I am conscious of not having been able to review. The thesis is therefore limited in scope to English language sources with the exception of a handful of German sources for which I was able to summon my high school German training to comprehend.

The contradiction between the scale of the issues I wished to examine and discuss and the strictures of a doctoral thesis have meant that I have been unable to cover the entirety of the literature in each subject area. To mitigate

this I have attempted to cover each of the major schools of thought when considering any particular subject matter within this study. I have also been conditioned by the time in which I approached this study which began midway through 2006 and was finalised late in 2010. This involved limitations in terms of the available data.

Methodologically this work is unashamedly structural and institutional in its approach. There are a number of significant strengths associated with this methodology however there are limitations as well. The major limitations of a structural approach is that it does not engage directly with individuals concerned by its analysis as would be the case in an ethnographic study. Despite this there are a number of reasons why an ethnographic approach was avoided.

As a global analysis there are major linguistic reasons why an ethnographic approach would have been inappropriate. In order to be adequately equipped to engage with workers from the countries that are considered in subsequent chapters it would be necessary to become literate in Mandarin, Cantonese, Japanese, Spanish, Portuguese, Korean, Thai, Tagalog, Slovak and the various major languages of India. This was an unrealistic feat to attempt. Despite this limitation a structural approach to this problem is also a source of great strength as it enabled me to transcend global boundaries such as language and culture and instead to stress those features of working life which are common for workers in many countries around the world. In focusing on wages and conditions of work, and the attempts of workers to improve these, I attempted to understand the core concerns of workers on a macro scale as well as their scope for political action.

This is not to suggest that it would be irrelevant to communicate directly with workers. The limitations I encountered particularly in terms of discussing the role of workers within global commodity chains and the outcomes they are subject to is an important matter for future research. Ethnographic studies of

workers in various regions could contribute to this field of inquiry. Throughout my work on this project it has become increasingly apparent that labour, particularly in the informal and unorganized sectors of the global South aside from lacking institutionalized power, lacks a voice even on a national scale let alone in the global arena within which many must compete. In completing this project I hope that it is a starting point allowing me to contribute in some small way to those workers having a voice.

Summary of chapters

Chapter 2 involves a cross country comparison in two critical industries involved in the production of heavily traded commodities, the garment/textile industry and the automobile industry. Comparisons of wages, output, productivity and hours worked will be made between workers in countries from a variety of regions and will include countries from the global North and the global South. These comparisons will determine whether the division of the world between global North and global South remains a valid one for analytical purposes. This comparison will provide a useful insight as to the differences between workers in different countries. The main question for this section is whether or not industries in the North are sufficiently productive to compensate for the wage differentials with the South; moreover, this overlaps with the impact of increasing capital intensity in the South.

Chapter 3 examines the ways in which differences between workers could be understood from the perspective of economic theory. It begins with a critique of the market based, neoclassical approach to understanding global differences in wages. The inadequacies in the neoclassical approach point to the need for power based understandings of why workers are paid differently for the same work. The chapter draws significant insight from Marxist and global commodity chain theories which will facilitate analysis later in the thesis.

Chapter 4 approaches the question of the differences between workers in terms of a structural, class based perspective. It draws heavily on the Marxist tradition in establishing ways in which differences between workers can be understood as the result of a global class structure. At the core of this global class structure is the question of what constitutes productive labour. Following from Marx the majority of the discussion of the productive/unproductive labour distinction has come from Shaikh, Tonak and Savran, mostly from a national accounting perspective. In this thesis politics is brought into the productive/unproductive labour distinction and related to class. This analysis is expected to expose a fault line between productive and unproductive labour which largely replicates the division between the global North and the global South.

Chapter 5 analyzes workers' outcomes by beginning at the process of production through investigating the political economy of global commodity chains. This approach enables an examination of the lifespan of a commodity from production to eventual consumption from the perspective of the various actors involved in its transformation. This chapter will consider case studies from the industries surveyed in Chapter 2 to examine which factors were most important in determining the value share between commodity chain participants. Analysis based on these case studies will attempt to establish which institutional features of capitalism in both the host and supplying countries determine the distribution of value.

Following on from the analysis of the case studies Chapter 6 examines the literature on institutions and their importance in influencing wage outcomes. Notably the majority of this literature concerns the global North with a focus on the welfare state or, in the case of the United States, the institutions that arose out of the New Deal in the 1930s. One notable exception is Moseley who provides an institutional framework which explains outcomes for workers in the global South. An in depth examination of Moseley's methodology will facilitate a

discussion of the various global institutions that may be relevant to workers in the global South.

Chapter 7 evaluates the prevailing global institutions which attempt to regulate global capitalism, ensure minimum standards for labour, or improve its condition. This analysis will focus on the International Labour Organization, the UN Global Compact, the work of the International Trade Union Confederation and the Global Framework Agreements as the mainstream institutions which have evolved out of the 20th century. The analysis will attempt to determine whether these institutions are adequate in terms of meeting their own objectives as well as ensuring that workers' wages and conditions improve particularly in the global South.

Chapter 8 turns to the trajectory of labour movements in the 21st century. Some scholars such as Waterman, Munck and Lambert suggest that while the 20th century was defined by trade unionism centred specifically on the workplace, the 21st century response to capital will come through social movement unionism, a form of unionism that addresses wider community concerns. Others such as Fairbrother and Webster see social movement unionism as a continuation of traditional forms of trade unionism. Initially this chapter looks at the debate surrounding social movement unionism as an emerging form of trade unionism. Following this it considers the Self Employed Women's Organization of India (SEWA), an organization which has successfully organized in the informal sector growing from 500,000 members in 2002 to having 1.1 million members in 2008[33]. SEWA is explored as a possible example of social movement unionism in the global South. Finally and on a more global scale, it examines the World Social Forum as a global social movement and as an alternative to engagement with the international institutions which have evolved out of the 20th century.

[33] Boseley, Sarah. (2008). Profile: Mirai Chatterjee: securing work and health care for women in India. *The Lancet.* Vol 372, p883.

The conclusions that I have reached paint a dismal picture of developments for labour in the short term. The North-South divide appears to be as real as it has ever been. While it is possible to explain why this is the case, I am reminded of Marx's line that "philosophers have only interpreted the world, in various ways; the point is to change it[34]." While there are examples of localized struggles which have grasped the essence of globalization and developed a response on a global scale, it is difficult to see who the agents of change might be despite an overwhelming necessity.

In relation to the 20th century multilateral organizations there is little to suggest that these institutions can alter the prevailing situation, let alone improve conditions in the global South. Despite this, early efforts to challenge this paradigm by the global social movements and the World Social Forum show no signs of bearing fruit. By contributing to the understanding of global capitalism and global political economy I am hopeful that with a fresh approach to the understanding of these subjects I can contribute in some small way to the future efforts of labour in the global South.

[34] Marx, Karl. (1969). *Marx/Engels Selected Works: Vol 1.* Progress Publishers: Moscow,, p15.

Chapter 2 – Economic Differences between Workers

This chapter makes an assessment of the case for the relevance of the North-South divide with regard to global wages. Empirically it will demonstrate the validity or otherwise of the argument that there is a division in the world between wages of those living in the countries of the North and those living in the countries of the South, which constitute a material basis for political differences. Based on an assessment of the differences in pay for comparable work this chapter provides the empirical foundation for the subsequent discussions on the politics of global labour.

Data regarding countries which have historically constituted the North-South divide will be examined to test the validity of the North-South thesis that there are substantial differences in levels of wages between the countries of the global North and the countries of the global South. Wages will be standardized in terms of their value against the US dollar based on the average exchange rate in the year surveyed. In addition to this wages will be compared in terms of their purchasing power parity (PPP) value in order to eliminate differences in costs of living as an explanatory cause for differences in wages. This will enable an assessment about whether there is a divide in terms of wages between workers performing the same work. In terms of calculating and comparing productivity, data concerning the total industrial output per worker per year in each industry and country will be divided by the yearly wages which workers receive.

This section of the thesis is important because there are two major unsettled current debates. One is whether or not industries in the North have a sufficiently large output per worker to compensate for the wage differentials with the South. The second unsettled matter is whether or not the competition between workers is a North-South one or is more intense within regions –that is, for example,

between parts of Europe or between South countries. The empirical work contained in this chapter will help to answer these questions.

In attempting to make international comparisons a number of problems are inevitably encountered. Comparisons depend on the ability to standardize data. In the case of international comparisons of wages and productivities there are a large number of variables which make the standardization process more difficult. These include differential data reporting, exchange rate variations, multiple independent variables regarding output, and multiple independent variables regarding wages paid.

Differential reporting of data is a common problem faced in international comparison projects. This problem was the reason behind my initial rejection of the International Labor Organization (ILO) yearly data as a reliable data source for this project. This problem arose as the ILO depends on surveys from national governments leading to a situation whereby the ILO receives surveys with no standard criteria. Many surveys have different time periods (hourly, daily, weekly, monthly, yearly wages), some use different International Standard Industry Classifications in their surveys, some countries survey their labor forces more often than others, and many report wages differently (mean, median, minimum). An attempt has been made, chiefly by Freeman and Oostendrop to standardize nationally reported data[35], however the Occupational Wages around the World database remains imprecise and inaccessible and furthermore does not contain data after 2003 meaning it was of little use to this project.

The need for standardized data led to the use of UNIDO's industrial statistics database which has a standardized currency and unit of time (yearly) but suffers from some other limitations such as not being based on a standard year. This

[35] Freeman, Richard and Oostendorp, Remco. (2005). *Occupational Wages Around the World Database.* Available from: http://www.nber.org/oww/ [Online] Last accessed: 31 October 2010.

problem was ignored to a large extent in this project due to the minimal differences that took place between the reported years.

Given the number of factors involved in this analysis there are a number of terms which require defining. These include: wages, input, output, exchange rates, purchasing power parity, productivity, value added, motor vehicles, textiles and wearing apparel. Most of the definitions of terms are supplied by those organizations who defined their terms and concepts before embarking on a survey, however there were some inadequacies in terms of organizations using concepts without defining them particularly in the case of productivity.

The exchange rate is defined as "price in a given currency at which bills drawn in another currency may be bought[36]." For the purposes of this section the exchange rates are the average exchange rates for the given year as specified by Oanda.com currency exchange trading[37]. Similarly, purchasing power parities (PPP) are defined as: "The number of currency units required to buy goods equivalent to what can be bought with one unit of the currency of the base country[38]." In terms of this section the PPP value that I have used is the average PPP exchange rate with the US dollar in 2005 based on the data supplied by the Penn World Table[39].

[36] International Monetary Fund. (2009). *International Financial Statistics Yearbook.* Available from: http://www.imfstatistics.org/imf/ [Online] Last accessed: 31 October 2010.
[37] Oanda – Forex Trading and Exchange Rate Services. (2010). OANDA. Available from: http://www.oanda.com/ [Online] Last aaccessed 31 October 2010.
[38] United Nations, Commission of the European Communities, International Monetary Fund, Organisation for Economic Cooperation and Development and World Bank. *System of National Accounts 1993 (SNA 1993)*. Series F, No. 2, Rev. 4 (United Nations publication Sales No. E.94.XVII.4). (para. 16.80-16.83).
[39] Alan Heston, Robert Summers and Bettina Aten. (2006). *Penn World Table Version 6.2,* Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania.

The definition of wages for the United Nations Industrial Development Organization (UNIDO) survey data includes "…basic wages, cost-of-living allowances and other guaranteed and regularly paid allowances, but exclude overtime payments, bonuses and gratuities, family allowances and other social security payments made by employers[40]." The UNIDO and International Labour Organization (ILO) statistics are gross payments and do not take into account taxation paid by workers or any other associated costs.

Value added is defined as "The value of output less the value of intermediate consumption (gross), and less the values of both intermediate consumption and consumption of fixed capital (net)[41]." The United Nations Statistics Division does not explicitly define either input or output despite frequently using these terms in their statistical surveys. It appears that the input being measured involves the cost in US dollars involved in a productive activity. Output by contrast is being measured as the price received as the result of a productive activity.

Productivity is the most contentious issue being analysed in this chapter. For the purposes of this thesis productivity refers to labour productivity as the comparison endeavours to be one centred on the possible explanatory causes of high wages. In critiquing the unequal exchange paradigm of Arghiri Emmanuel which will be investigated in chapters 3 and 4 Charles Bettelheim argued that despite lower wages, workers in what I would term the global North are not only not the beneficiaries of the product of workers in the global South, but that they are also more exploited than workers what I would term the global

[40] International Labour Organisation (ILO). (2000). *Current International Recommendations on Labour Statistics*. Geneva: ILO, p67.
[41] United Nations, Commission of the European Communities, International Monetary Fund, Organisation for Economic Cooperation and Development and World Bank, (para. 6.4).

South[42]. Productivity therefore is central to the theory of unequal exchange and it is for this reason that I seek to compare and contrast the productivity of workers in the global North against those in the global South.

From the perspective of a capitalist paying a worker high wages is not a problem insofar as rate of return the capitalist receives for the worker's labour is sufficiently high. The higher wages are thus 'justified' by the additional output a capitalist receives. However if a capitalist is paying higher wages and not achieving an increased rate of return it suggests that extra-economic forces are at play calling into question any relationship between wages and productivity.

A conventional measure of productivity is that of value added per worker. This output centric approach is exemplified by Tompkins[43], Gust and Marquez[44], Sparks and Greiner[45] and Lazear[46] and is an approach which leads them to conclude that the United States is the most productive country in the world because it provides the most output per worker. The problem with such an approach however is that it does not consider the level of wages paid to workers, and therefore is not able to measure the relative efficiency of spending money on a worker from country X as against country Y.

Tompkins advocates this approach specifically in order to assert US manufacturing supremacy. When questioned by Manji as to whether value added per worker is the "best measure of manufacturing productivity of nations" he replies that "GDP per employed person is the correct measure" before later drawing the conclusion that on the basis of having the highest GDP per

[42] Bettleheim, Charles. (1972) *Theoretical Comments by Charles Bettelheim.* In, Emmanuel, Arghiri. (1972). *Unequal Exchange: A Study of the Imperialism of Trade.* Monthly Review Press: New York, pp301-2.
[43] Tompkins, J in Manji, James F. (1990). Does America Lead World in Manufacturing? *Automation.* Aug; 37, Vol 8, p44.
[44] Gust, C and Marquez, J. (2001). International Comparisons of Productivity Growth. *Business Economics.* Jul Vol36, Iss 3, p55.
[45] Sparks, C and Greiner, M. (1997). US and Foreign Productivity and Unit Labor Costs. *Monthly Labor Review.* Feb, 120, Vol 2, p26.
[46] Lazear, E. (2006). Productivity and Wages. *Business Economics.* Oct, Vol 41, Iss 4.

employed person that "We are the best! The Japanese are behind us. If we follow them, we will lose our number one position. We don't need to copy or follow them, we must blaze our own trails[47]."

The validity of such a definition of productivity is not accepted across the board however with Wacker, Yang and Sheu providing an alternative definition that "Productivity is an index that measures output relative to input[48]." This approach to analysis of productivity enables a questioning of the validity of the assumption that high wages are somehow justified by high productivity by examining whether there is a relationship between the latter and the former. As this is one of the main purposes of this chapter, for the purposes of the chapter value added means output and wages to mean input in order to compare the productivity of countries and the relationship between productivity and wages.

Industries

In terms of the surveyed industries, motor vehicles, wearing apparel and textiles are defined as per the International Standard Industrial Classification of All Economic Activities (ISIC). Under the ISIC the motor vehicle industry is defined as those involved in "…the manufacture of motor vehicles for transporting people or goods. The manufacture of various parts and accessories, as well as manufacture of trailers and semi-trailers…[49]." The wearing apparel industry is defined as "…all tailoring…in all materials…of all items of clothing (e.g. outerwear, underwear for men, women or children; work, city or casual clothing etc.) and accessories from materials not made in the same unit. There is no distinction made between clothing for adults and clothing for children, or

[47] Tompkins, J in Manji, James F. (1990), p44.
[48] Wacker, J and Yang, C and Sheu, C. (2006). Productivity of Production Labor, Non-Production Labor, and Capital: An International Study. *International Journal of Production Economics.* Vol 103, Iss 2, p863.
[49] United Nations Statistics Division. (2009). *Detailed Structure and Explanatory Notes: Manufacture of motor vehicles, trailers and semi-trailers.* Available from: http://unstats.un.org/unsd/cr/registry/regcs.asp?Cl=17&Lg=1&Co=34 [Online] Last accessed: 31 October 2010.

between modern and traditional clothing…[50]." Finally the textiles industry is defined as those industries involved with "…preparation and spinning of textile fibres as well as textile weaving, finishing of textiles and wearing apparel, manufacture of made-up textile articles, except apparel (e.g. household linen, blankets, rugs, cordage etc.) and manufacture of knitted and crocheted fabrics and articles thereof (e.g. socks and pullovers)[51]."

Motor Vehicles

As a percentage of global trade, machinery and transport equipment ranks as the most traded items in the world economy. Motor vehicles and motor vehicle products account for 9% of the value of all global trade[52]. As such an important part of the global economy the motor vehicle industry has been selected for analysis.

The particular qualities of the motor vehicle industry also form part of the justification for its inclusion in this analysis. Motor vehicle production is capital intensive and has been historically associated with production in the most developed countries in the world principally in the United States, Japan and the European Union. The production of motor vehicles has become increasingly important in newly industrialized countries such as the Republic of Korea. It is also an industry typified by relocation of production from traditional locations to various emerging locations.

Examples of this include Fiat, BMW and Volkswagen, some of the key producers in the European Union who began to set up manufacturing plants in India[53]. In addition to this, companies including Suzuki, Renault, Volkswagen,

[50] United Nations Statistics Division. (2009).
[51] *Ibid.*
[52] World Trade Organization. (2006). *International Trade Statistics.* Geneva: WTO Publications, p160.
[53] Athale, Gouri Agtey. (2008). *Fiat, Volkswagen and BMW plan to roll small cars in India.* Available from: http://economictimes.indiatimes.com/News/News-By-

Audi, Daewoo, Hyundai and Toyota have all been involved in shifting manufacturing sites to central and Eastern Europe[54]. Several companies including Toyota, Nissan, Chevrolet, Ford, Mitsubishi and Mazda now base much of their production in Thailand[55]. Latin America too is a major source of production and therefore a source of competition in the global motor vehicle industry with Mexico and Brazil becoming increasingly important sites of global production. Given the objectives of this thesis the motor vehicle industry is a suitable test case in terms of comparisons of global wages and productivities and the politics thereof.

As a capital intensive industry based on production in very high volumes, investors in the motor vehicle industry will largely make their decisions based on long run differences in productivity. Relative to the garment and textile industries it is less easy to shift motor vehicle production in search of minor productive efficiencies due to the amount of fixed capital involved in the industry. It is intended that the below data will illustrate why the above companies are relocating production.

Textiles and Garments

The garment and textiles industries are especially important in terms of the objectives of the thesis. In terms of global trade the garment and textiles industries account for 2.7% and 2% of the value of global trade respectively as of 2005[56]. The garment and textile industries combined account for

---

Industry/Auto/Automobiles/Fiat-Volkswagen--BMW-plan-to-roll-small-cars-in-India/articleshow/2799570.cms [Online] Last accessed: 31 October 2010.

[54] PriceWaterhouseCoopers. (2007). *Eastern Influx: Automotive Manufacturing in Central and Eastern Europe.* Available from: http://www.globalautoindustry.com/images/PwC_EEC_eastern-influx.pdf [Online] Last accessed: 31 October 2010.

[55] Runckel, Christopher W. (2005). *Thailand Automotive Industry Update: 2005.* Available from: http://www.business-in-asia.com/auto_article2.html [Online] Last accessed: 31 October 2010.

[56] World Trade Organization. (2006). *International Trade Statistics.* Geneva: WTO Publications.

approximately 14% of the global workforce[57]. These industries will be the industries most affected by competition particularly in light of the Multi-Fibre Agreement ending in January 2005[58].

The United States, the European Union and Canada have all imposed import restrictions on China following the end of the Multi-Fibre Agreement due to significant pressure on European producers[59]. With the expiry of the agreement and the disbanding of the majority of the quota system, developing countries face intensified competition with each other, in particular with the large scale economies of India and China[60]. Given these circumstances the garment and textile industries are suitable for analysis as the issues surrounding the industries are topical and have a wide ranging impact for the global labor force particularly in the global South.

As labour intensive industries the garment and textile industries are more vulnerable to the relocation of investment as there is very little fixed capital involved in production. All other factors being equal, an investor will make their decision on where to invest for production in these industries on the basis of the lowest absolute costs to produce a given volume of goods with little thought as to future orders for production.

Countries

In selecting the countries for comparison, the primary basis on which countries were selected was to broadly test the idea of differences between wages in

[57] Hall, John Alexander. (2006). *China Casts a Giant Shadow: The Developing World Confronts Trade Liberalization and the End of Quotas in the Garment Industry*. International Business and Law, Vol. 5, No. 1, p. 1.
[58] *Ibid.*
[59] See for example: http://www.chinadaily.com.cn/english/doc/2005-05/19/content_444026.htm, and Castle, Stephen. (2007). *The EU and China will monitor Chinese clothing exports to Europe.* The New York Times: October 9 2007.
[60] Basu, Kaushik. (2005). *Winners and Losers in Global Shakeup.* Available from: http://news.bbc.co.uk/1/hi/world/south_asia/4294679.stm [Online]. Last accessed: 31 October 2010.

North and South countries. On this basis a number of 'typical' North and South countries were selected, however a number of other factors were also considered. In the first place primacy was given to the industry that is being studied. Rather than trying to make countries fit the industries that are being compared, it made more sense to select the industries that were important or relevant for comparison and deduce from those industries what countries should be compared. The UNIDO and the World Trade Organization provided primary evidence about which countries are the most important producers in various traded goods. This evidence was supplemented by secondary sources which pointed to the importance of certain countries to the global political economy and to the industries being compared.

In terms of the global North the countries selected for analysis were the United States of America, Japan, Germany and Korea. On a world scale in automobiles, textiles and wearing apparel some of the leading producers by value added include Japan, the United States and Germany[61]. The Republic of Korea is also a leading producer however it is categorized by UNIDO as a "developing country". UNIDO's perspective contrasts with that of the World Bank considering that the GDP per capita of Korea falls into what the World Bank defines as the high income group[62]. Secondly in terms of economic geography these countries are representative of a number of trading regions such as NAFTA/FTAA (USA), ASEAN (Japan/Korea) and the European Union (Germany).

In terms of the global South the countries selected for analysis were Brazil, India, Mexico, Slovakia and Thailand. These countries were selected because in automobiles, clothing, and textiles or in a combination of these industries these countries are either dominant producers of goods or are rising in terms of

[61] United Nations Industrial Development Organization. (2006). *Yearbook of Industrial Statistics*. Table 1.7. Vienna: United Nations Industrial Development Organization.
[62] The World Bank. (2009). *Country Classification.* Available from: http://go.worldbank.org/K2CKM78CC0 [Online] Last accessed: 31 October 2010.

their importance to a particular industry or industries. In terms of motor vehicles Brazil, India, Mexico and Thailand are all leading producers in value added terms[63]. Slovakia is a special case which has been included due to the fact of its recent growth. Since becoming a part of the European Union it has become one of Europe's largest automobile producers with roughly 10% of its manufacturing workforce being employed in making motor vehicles in 2004 a threefold increase since 1995[64]. Slovakia also has 7% of its manufacturing labour force involved in the production of wearing apparel[65]. Given the small size of the country it will never show up as one of the leading producers however as a country that is competing in the international market, especially with its European neighbours, it is considered that the Slovakia is important to consider.

In terms of their economic geography these countries are also important to various trading blocs such as NAFTA, (proposed) FTAA (Mexico and Brazil), ASEAN (Thailand) and the EU (Slovakia). India is a special case as it is not associated with any of these major trading agreements however due to the size of the economy, the number of available workers, and the amount of production that is being shifted to India it is considered that India is a necessary part of this analysis.

A notable and unfortunate exclusion from this analysis is China. Despite being the most talked about national economy in the world and being the dominant force in textiles and apparel production, lack of participation in international surveys makes it impossible to compare China's labour situation with other countries in a precise way. China is therefore excluded from the initial comparison and analysis of data for the sole reason that there is a lack of adequate comparable data. There is however some separate data on China

[63] United Nations Industrial Development Organization. (2006).
[64] United Nations Industrial Development Organization. (2009). *Industrial Statistics.* Available from: http://www.unido.org/doc/3474 [Online] Last accessed: 31 October 2010.
[65] *Ibid.*

which is considered in a later section of this chapter which is sufficient to establish the relative standing of Chinese workers in the studied industries. As the sole purpose of the following data analysis is to examine broad North-South differences, the lack of adequate comparable data for China is not seen as a limitation.

Data Availability

Data was generally available to support the achievement of the objectives of this chapter. Data on manufacturing wages for the industries being surveyed in this chapter was available from international institutions such as the International Labor Organization[66] and the United Nations Industrial Development Organization[67].

In each individual case the most recent data that consistently covered the surveyed countries was used as the primary source of data. Data on wages and productivity is that of the UNIDO, an arm of the United Nations, whose functions include generation and dissemination of "knowledge relating to industrial matters[68]." This data compares value added per worker in US dollar terms.

The PPP comparisons were made by taking the data as reported in US dollars and following a two-step process. Firstly the average exchange rates for each year were sourced from Oanda.com currency exchange trading. This enabled a

[66] The International Labour Organization compiles data from a number of sources including Establishment Surveys, Household Surveys, Administrative Records and Population Censuses. This information is the product of surveys carried out by national governments. The International Labour Organization's labour statistics database is available from: http://laborsta.ilo.org/

[67] The United Nations Industrial Development Organization maintains databases on several key industrial statistics, including wages and productivity by receiving data from the Organization for Economic Cooperation and Development as well as collecting national data directly from non-OECD member states. The United Nations Industrial Development Organization databases are available online from: http://www.unido.org/doc/3474

[68] United Nations Industrial Development Organization. (2009). *UNIDO Overview*. Available from: http://www.unido.org/doc/3352#coreFunctions [Online] Last accessed: 31 October 2010.

conversion of wage rates from US dollars into national currencies which was necessary because data was not available in local currencies. The second step involved data sourced from the International Monetary Fund's *World Economic Outlook Database for April 2007*[69]. This database provided PPP exchange rates between national currencies and PPP dollars.

In terms of productivity statistics, data was available from the UNIDO. The *Yearbook of Industrial Statistics* is one of the only sources available in terms of international productivity comparisons that were suitable for the objectives of this chapter. The UNIDO data compared productivity levels in terms of value added per worker in a way that isolated individual industries and compared them using US dollar comparisons. No other data source was suitable given the objectives of this chapter. It is noted that the OECD makes productivity comparisons however its exclusion of the majority of South countries makes it a source of little value and additionally the data is not disaggregated on an industry level.

Confirming Data

One of the challenges in this section is the difficulty involved in confirming data by comparing the data sources against other data sources to test its accuracy. In the case of the productivity statistics it proved impossible to find an alternative data source that would compare value added per worker against the UNIDO data. This is because most productivity statistics, including that of the OECD and the ILO, are either reported as a growth percentage either against other countries or in terms of the overall productivity of an economy without breaking the data down to an industry level.

[69] International Monetary Fund. (2007). *World Economic and Financial Surveys: World Economic Outlook Database.* Available from: http://www.imf.org/external/pubs/ft/weo/2007/01/data/index.aspx [Online] Last accessed: 31 October 2010.

For wages the data of the ILO can be used as a means to test whether the wage levels reported by the UNIDO are accurate. In saying this there are still some difficulties with this approach in that the ILO data uses different measures of time (wages per hour, day, week, month, year), different national currencies, different methods of questioning (household surveys), different methods of reporting (minimum wages are often reported) and that the ILO data is sometimes missing or unreliable. Table 1 compares wage figures where available between the ILO data and the UNIDO data demonstrating that the figures are comparable, except in cases such as India which reports minimum wages, and Japan, Thailand and India which average industries.

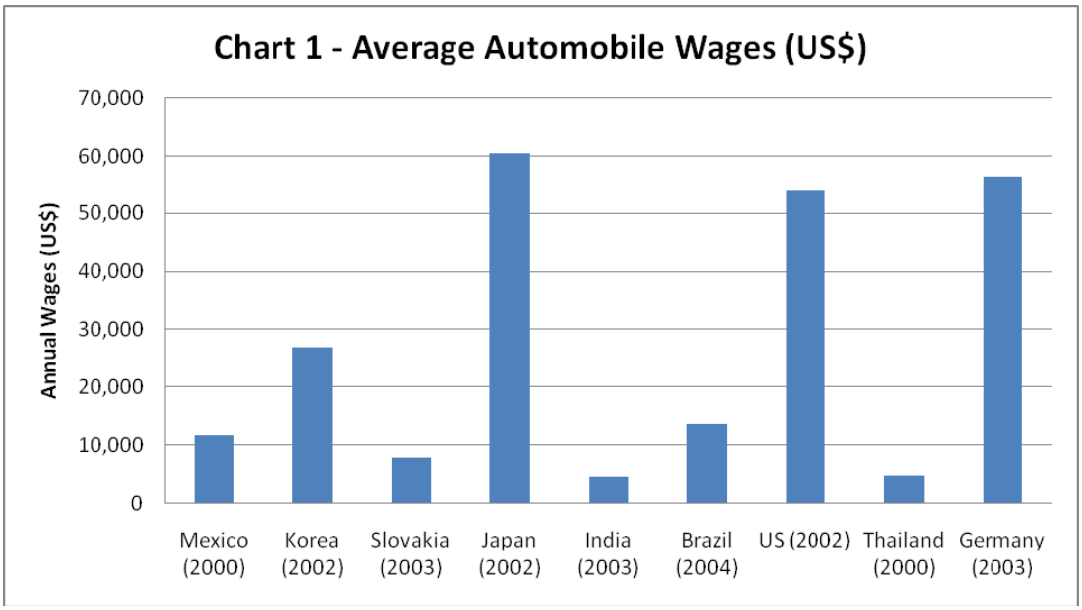
Table 1: Data reporting comparisons UNIDO and ILO (US$)						
Country	UNIDO Auto	ILO Auto	UNIDO Textiles	ILO Textiles	UNIDO Garments	ILO Garments
US (2002)[70]	54,157	41,527	27,223	23,548	21,443	18,290
Japan (2002)[71]	60,544	28,413	15,946	28,413	8,939	28,413
Korea (2002)[72]	26,878	23,646	13,487	14,786	11,561	13,165
Germany (2003)	56,425	49,725	30,974	29,250	28,773	25,655
Thailand (2000)[73]	4,680	1,839	2,318	1,404	2,214	1,404
India (2003)[74]	4,575	361	1,143	358	898	346[75]
Brazil (2004)[76]	13,500	7,275	3,584	2,804	2,020	1,761
Mexico (2000)	11,700	4,438	5,292	3,179	3,807	2,637
Slovakia (2003)	7,862	9,776.4	3,846	4,827.6	3,023	4,253

[70] ILO data for 2002 unavailable, this figure represents the ILO data for 2001.
[71] Japanese ILO data is averaged across all industries.
[72] Korean ILO Data includes family allowances and value of payments in kind.
[73] ILO Data for Thailand is unreliable as it packages data. Motor Vehicles average wages were included with the average of all other metalworking industries. Similarly Textiles and Wearing Apparel wages were included with the averages of the manufacturing of leather products and footwear.
[74] ILO data for India is based on minimum wages.
[75] ILO data for India in wearing apparel is averaged along with footwear.
[76] ILO Data for Brazil is unavailable for both 2003 and 2004. Data is for 2002.

Data Analysis

Motor Vehicle Industry Wages

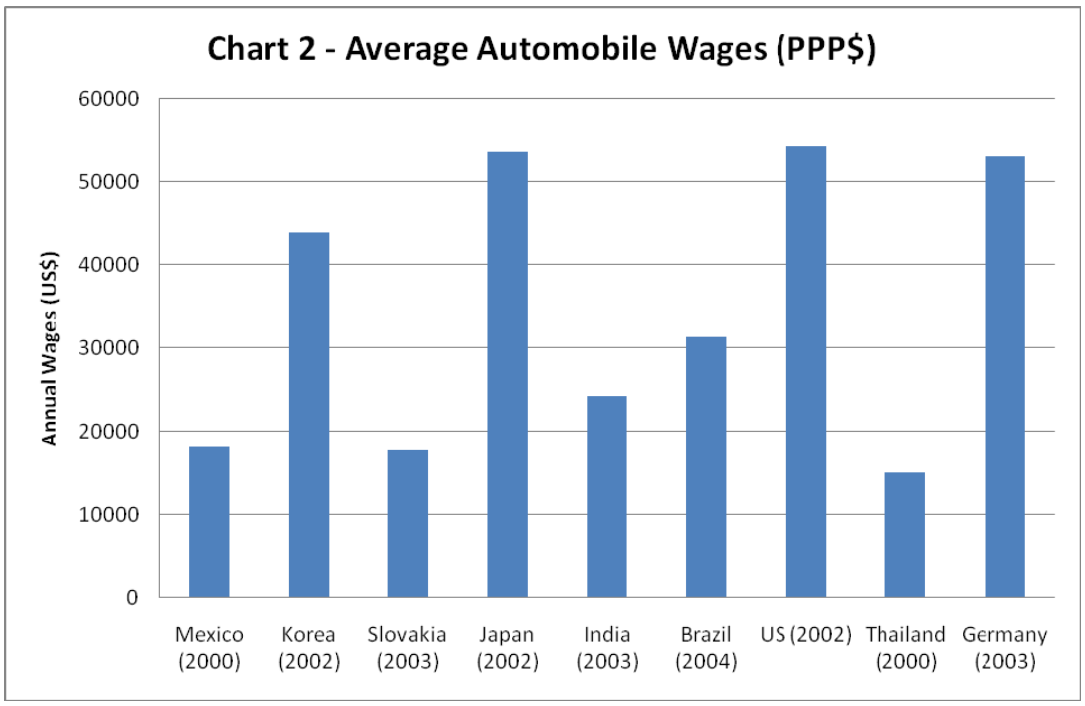
The available data on the automobile industry shows marked differences between the pay rates of workers between countries. Chart 1 demonstrates the differences between wages of automobile workers using data from the UNIDO.



When these wages are measured and compared in terms of the market exchange rates of various national currencies expressed in US dollars then a number of trends become apparent. Firstly it is apparent that the highest paid workers are the Japanese, German and US workers at $60,500, $56,425 and $54,157 respectively. The wages of Korean automobile workers while lower than Japan, the United States and Germany are significantly higher than the other countries in the comparison. There is a clear pattern which separates Japan, Germany, the US and Korea from the remaining economies in question.

The other main method of measuring and comparing wages involves the PPP comparisons which express and compare monetary value in terms of what

money can buy in a national economy instead of how much the currency is worth relative to other currencies. Chart 2 compares the hourly wage rates of the sample country automobile workers in terms of their purchasing power parity values[77].



When the comparison is made using PPP values, the results are very similar to those measured in US dollar values. Germany, the United States, Korea and Japan have much higher wages than do the rest of the countries.

Productivity

Based on the available data the productivity comparison between workers of the sampled countries compares these countries in order to assess any underlying differences between the apparent patterns discovered in the wage level

[77] Conversions into Purchasing Power Parity involved use of the average yearly exchange rates which were taken from http://www.oanda.com/ This enabled conversion from $US figures to national currencies. For the conversion from national currency to PPP International Dollars, data from the International Monetary Fund's World Economic Outlook Database was used.

comparison. This comparison will be made in order to assess the relationship between productivity and wages.

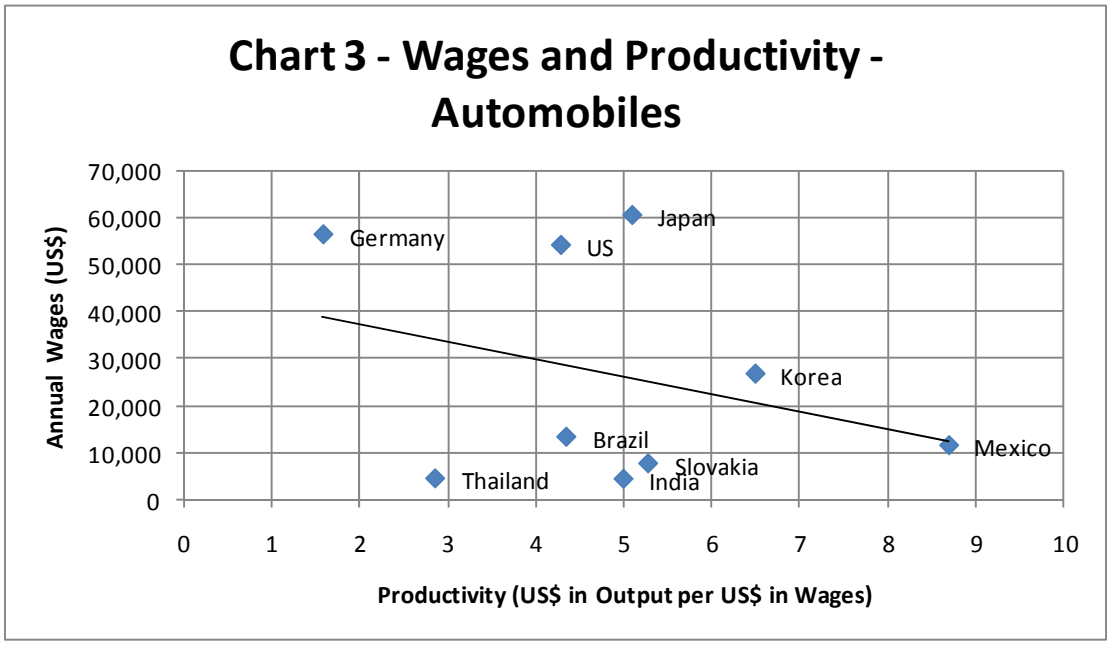
The results show clearly that workers from the developed world have a higher value added per worker than do the workers from the developing countries. This is illustrated by Table 2 which ranks the countries against each other in terms of value added per worker[78]. With the exception of Mexico there seems to be a clear connection between high wages and high value added per worker.

Productivity per unit of wages: Automobile Workers

Analysing productivity in terms of dollar output divided by dollar input produced vastly different results to the analysis which ranked the countries on value added terms alone. The results indicate firstly that Mexico, even though reported 2 years behind the other countries in the comparison, is by far the most productive country with regard to motor vehicles followed by Slovakia. Secondly it shows that several South country workers are more productive than workers in the United States, including those from Mexico, Slovakia, India and Brazil. Finally it is noticeable that the productivity of Germany per unit of wages is very low in relation to the other countries. Chart 3 demonstrates that there is an inverse relationship between wages and productivity within the data with higher wages being generally associated with lower productivity.

[78] United Nations Industrial Development Association. (2006). *Yearbook of Industrial Statistics.* United Nations Industrial Development Association: Vienna.

Table 2: Country Ranking - Productivity (Motor Vehicles)				
Country	Latest Year	Value Added per Worker (annual $US)	Wages per Worker (annual $US)	Average Productivity ($US) $Value Added/$Wages
Mexico	2000	102,000	11,700	8.69
Korea	2002	174,501	26,878	6.49
Slovakia	2003	41,408	7,862	5.27
Japan	2002	307,900	60,500	5.09
India	2003	22,817	4,575	4.99
Brazil	2004	58,622	13,500	4.34
US	2002	231,729	54,157	4.28
Thailand	2000	13,355	4,680	2.85
Germany	2003	89,117	56,425	1.58

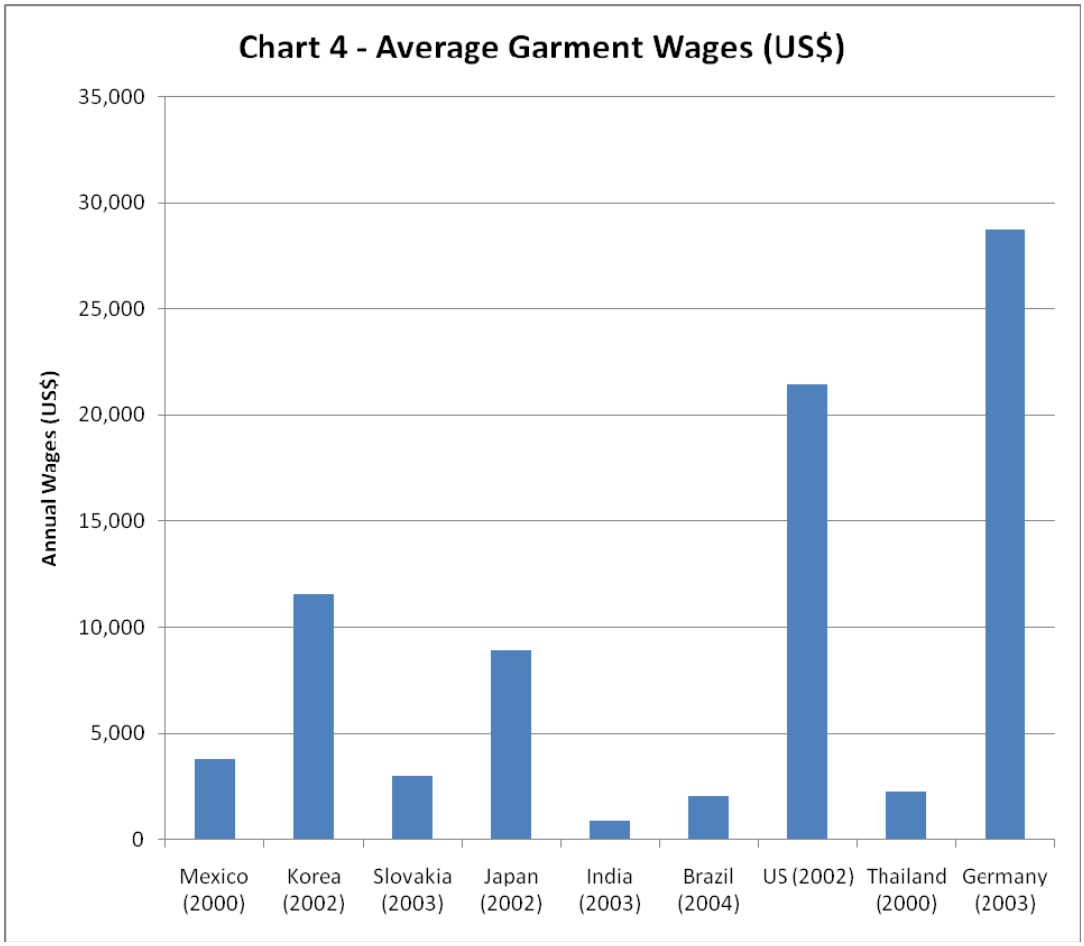


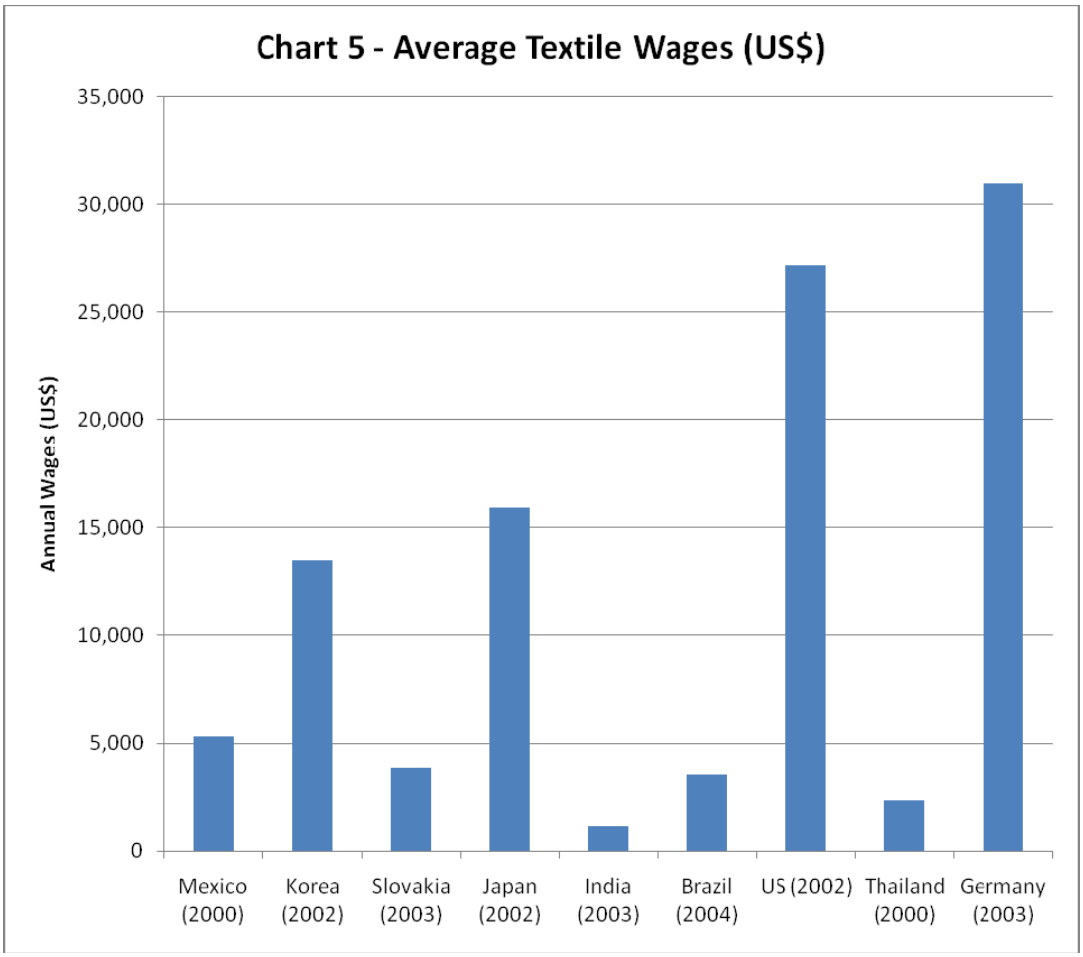
Garment and Textiles Workers

The analysis of the garment and textiles industry will be conducted in much the same way as did the analysis of the motor vehicle industry. Wage levels will be compared in order to define the structure of wages for this industry in the global economy. This will be followed up by a preliminary report on worker output and average productivity.

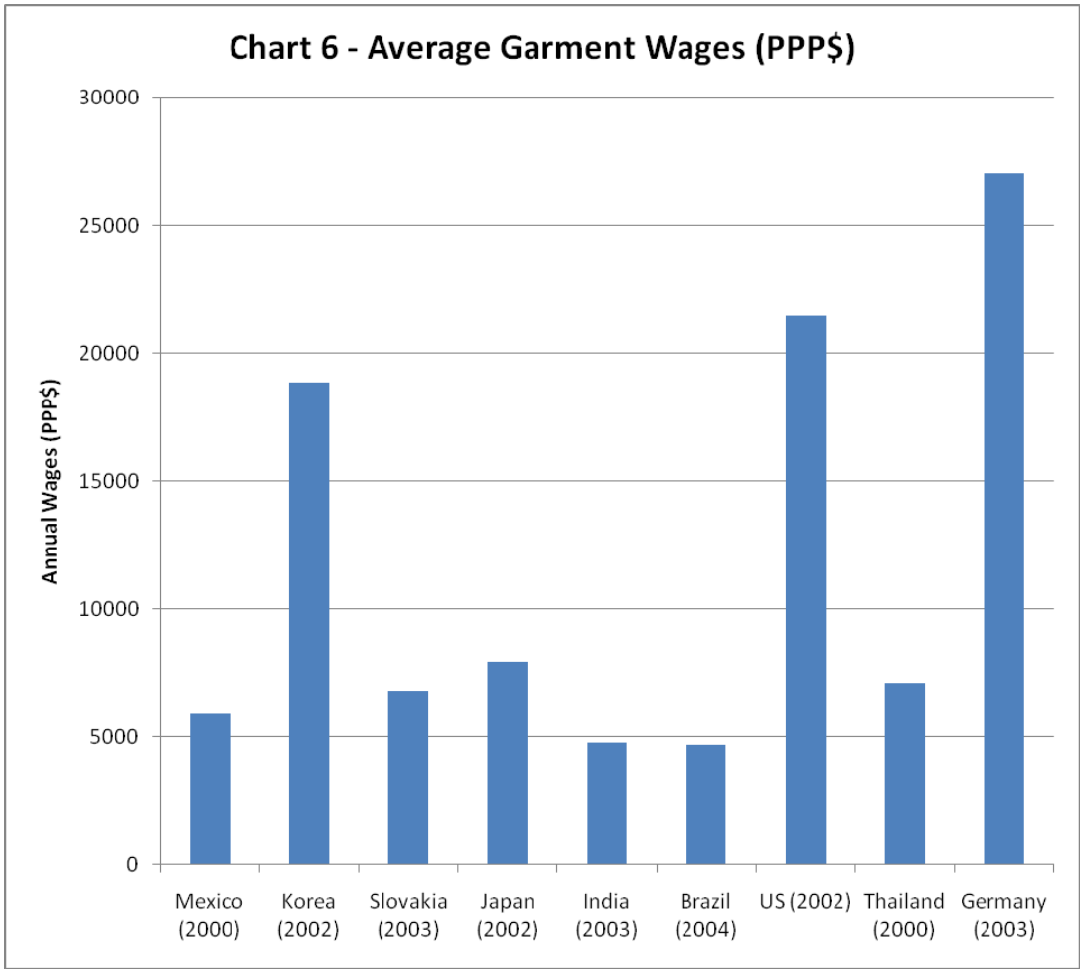
Wages

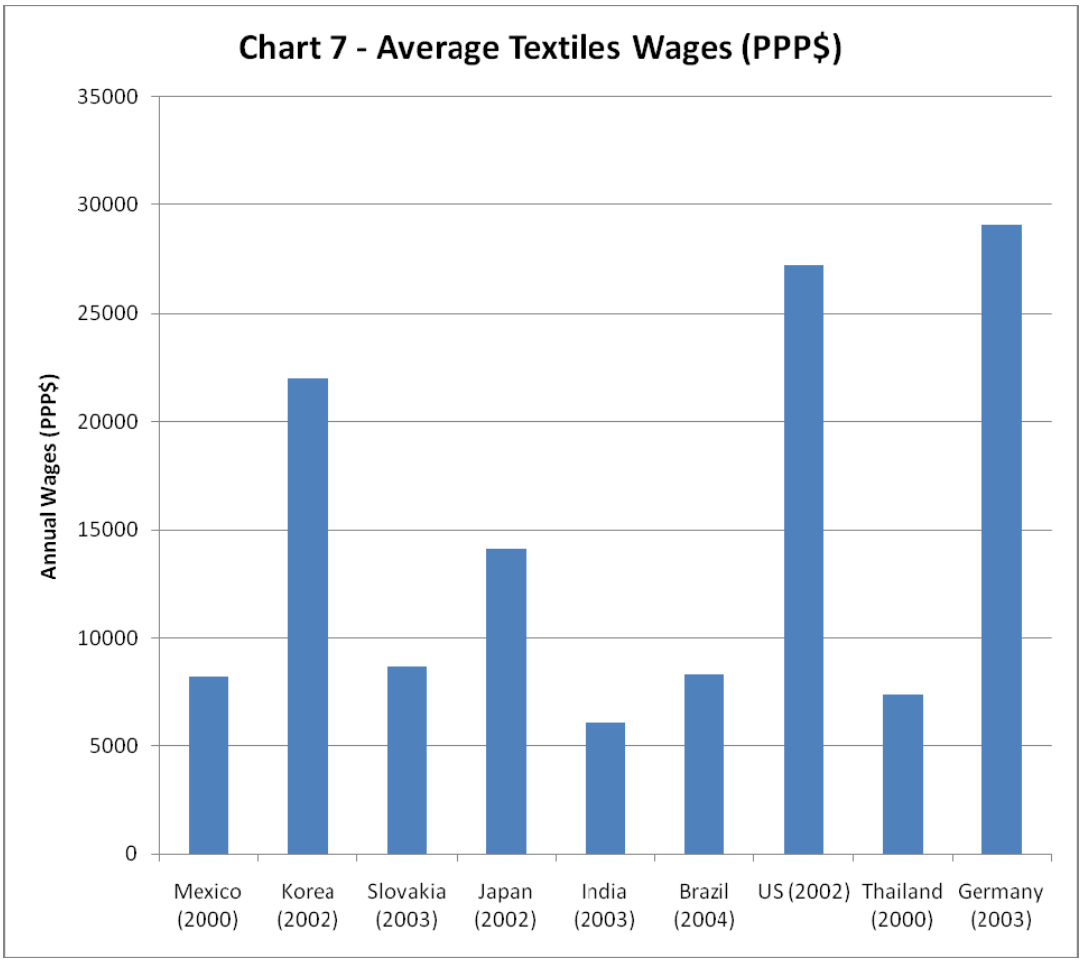
The data regarding the wages of garment workers reconfirmed the pattern that was discovered in the data on automobile workers. In US dollar terms there is a clear stratification between the developed countries (US, Japan, Korea, and Germany) and the developing countries (India, Thailand, Brazil, Mexico and Slovakia) as demonstrated by Charts 4 and 5.


Chart 4 - Average Garment Wages (US$)
Annual Wages (US$)
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
Mexico (2000)
Korea (2002)
Slovakia (2003)
Japan (2002)
India (2003)
Brazil (2004)
US (2002)
Thailand (2000)
Germany (2003)



When purchasing power parity adjustments are made for the wages the same basic results are reproduced with a few exceptions. The US, Japanese and Korean wages are far higher than their counterparts as demonstrated by Charts 6 and 7. The one exception to this is the wages of Japanese garment workers which roughly correspond to the wages of the other developing countries in PPP terms.


Chart 6 - Average Garment Wages (PPP$)
Annual Wages (PPP$)
30000
25000
20000
15000
10000
5000
0
Mexico (2000)
Korea (2002)
Slovakia (2003)
Japan (2002)
India (2003)
Brazil (2004)
US (2002)
Thailand (2000)
Germany (2003)



Productivity

The next step is to determine to what extent these wage distributions have a relationship with productivity. Tables 3 and 4 provide a comparison between the countries in terms of the level of value added per worker. The structure of the sampled countries in terms of output per worker is very similar across the garment and textile industries with the US, Japan and Korea being ranked the highest in terms of output per worker even if not in the same order and Mexico, Brazil, Thailand and India at the bottom of the rankings in identical order[79].

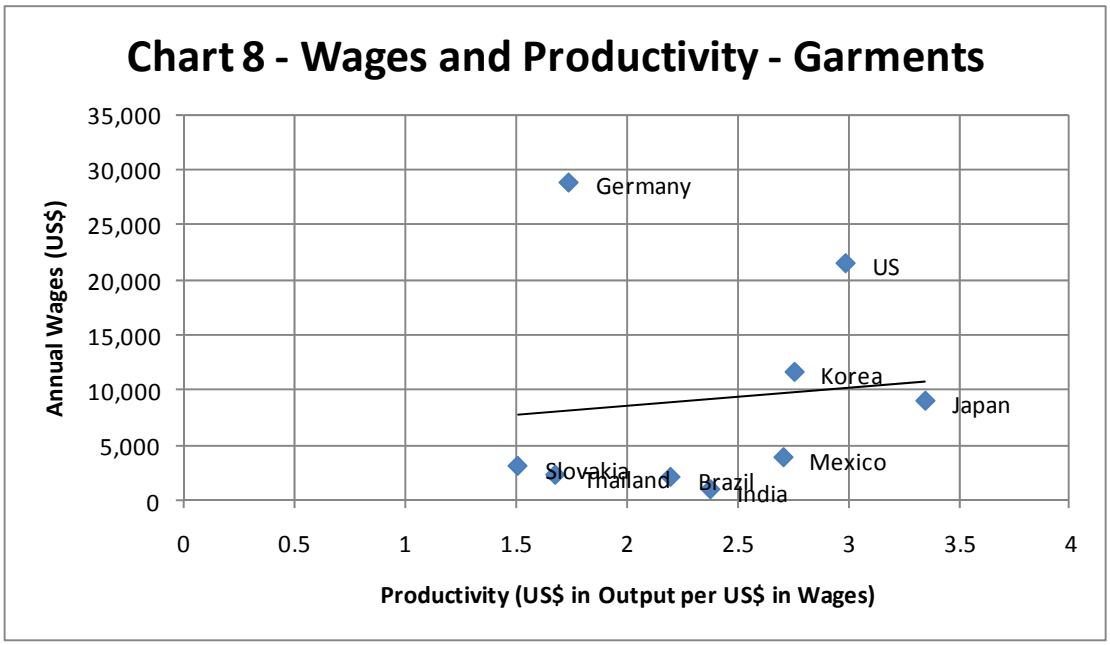
[79] United Nations Industrial Development Association. (2006).

In terms of the productivity of workers a slightly different picture was formed when comparing the countries together as demonstrated by Table 3 and Chart 8. There was more variation between the garment and textile industries than there was in terms of output per worker rankings. When average productivity was measured in US dollars rankings for the garment industry mostly corresponded with the output per worker rankings with Japan, the US and Korea occupying the top places. Mexico, India and Brazil were close to the productivity of the developed nations; however Thailand and Slovakia had significantly lower productivity when value added was measured in US dollars. As demonstrated by Chart 8 there was no clear relationship between wages and productivity.

Table 3: Country Rankings - Productivity (Garments)

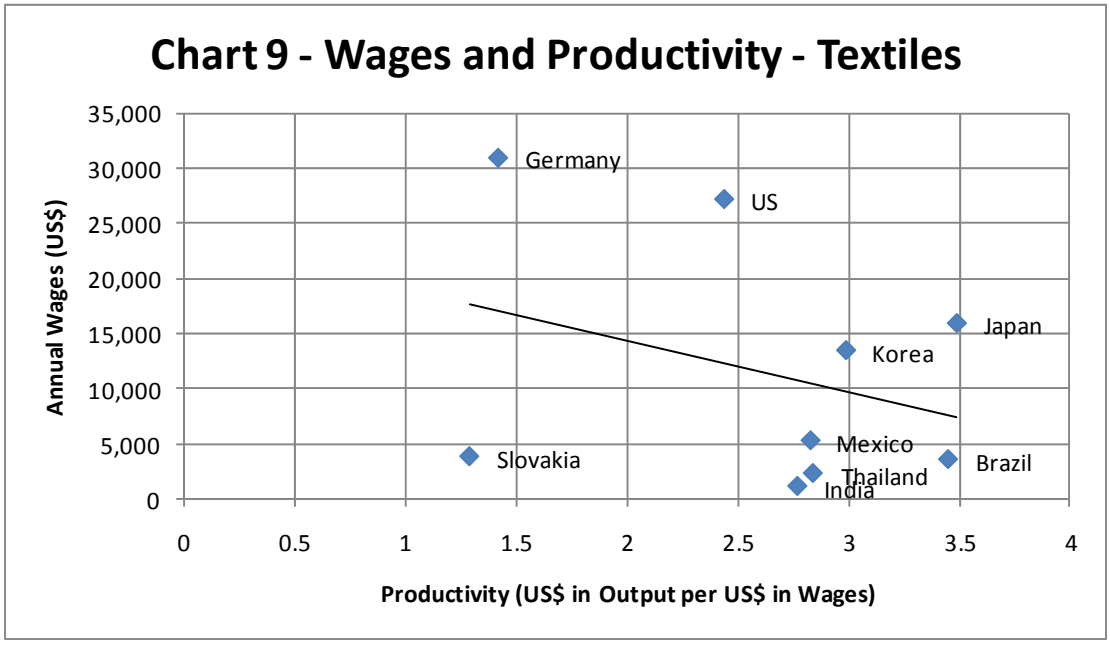
Country	Latest Year	Value Added per Worker ($US)	Wages ($US)	Productivity ($US)
Japan	2002	29,950	8,939	3.35
US	2002	64,012	21,443	2.99
Korea	2002	31,876	11,561	2.76
Mexico	2000	10,318	3,807	2.71
India	2003	2,135	898	2.38
Brazil	2004	4,438	2,020	2.20
Germany	2003	50,117	28,773	1.74
Thailand	2000	3,726	2,214	1.68
Slovakia	2003	4,554	3,023	1.51

Table 4: Country Rankings - Productivity (Textiles)				
Country	Latest Year	Value Added per Worker ($US)	Wages ($US)	Productivity ($US)
Japan	2002	55,637	15,946	3.49
Brazil	2004	12,353	3,584	3.45
Korea	2002	40,362	13,487	2.99
Thailand	2000	6,583	2,318	2.84
Mexico	2000	14,983	5,292	2.83
India	2003	3,171	1,143	2.77
US	2002	66,483	27,223	2.44
Germany	2003	43,881	30,974	1.42
Slovakia	2003	4,971	3,846	1.29



The analysis of the textile industry produced different results than that of the automobile and garment industries and is demonstrated in Table 4. There was considerable difference between the order of countries in terms of value added

per worker and in terms of productivity ranking. Japan again had the highest productivity. Slovakia and the US were the least productive countries by far which in the case of the US contrasts both to its value added per worker standing, and its productivity standing in wearing apparel and motor vehicles. Brazil was notable in that its productivity was so much higher than every country except Japan. There was considerable diffusion between the value added per worker statistics and the productivity statistics for the sampled countries in Textiles. As demonstrated by Chart 9 there was an inverse relationship between higher wages and productivity.



A final comparison to be made relates to the length of the working week. This comparison will endeavour to eliminate the possibility of institutionalized differences in the working week as explanatory causes for differences in productivity. It will also complete the picture I have attempted to draw in terms of the differences that exist between workers involved in global production. Table 5 compares the average weekly work hours between the sample countries and industries. Based on the ILO data Slovakia appears to be an

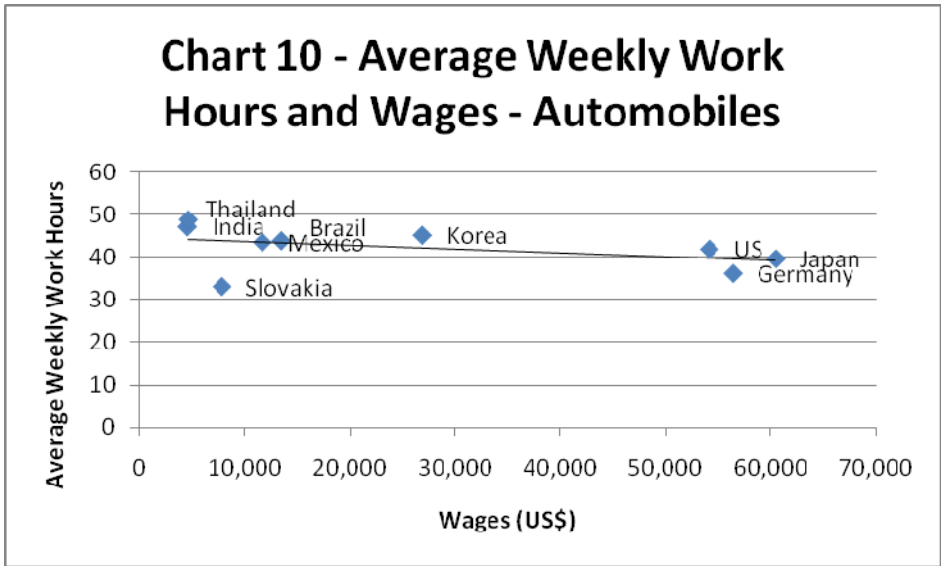
anomaly with average weekly hours of work reported at a level which is below what in most countries would be considered fulltime work. Leaving Slovakia aside, there is clear stratification between countries in the global North and those in the global South across all industries with workers in the global South working longer hours. The exception to this is Korea with Korean workers working longer hours than other North countries and at a level that is comparable to the surveyed South countries. It is notable that all of the countries from the Asian region India, Thailand and Korea had longer working hours. India and Thailand had the longest working hours, whereas Korea had longer working hours than all of the other North countries as well as Mexico and Brazil.

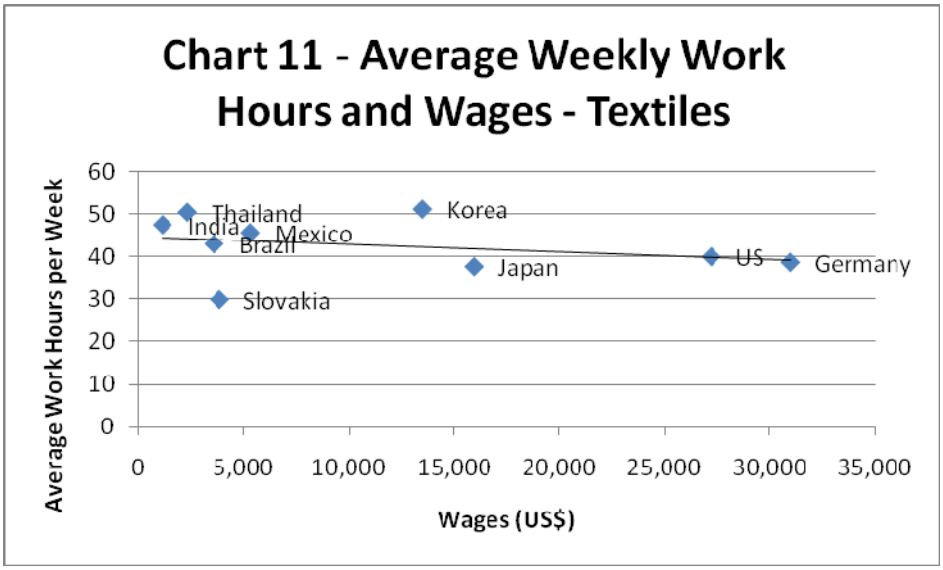
Table 5: Average Weekly Work Hours[80]

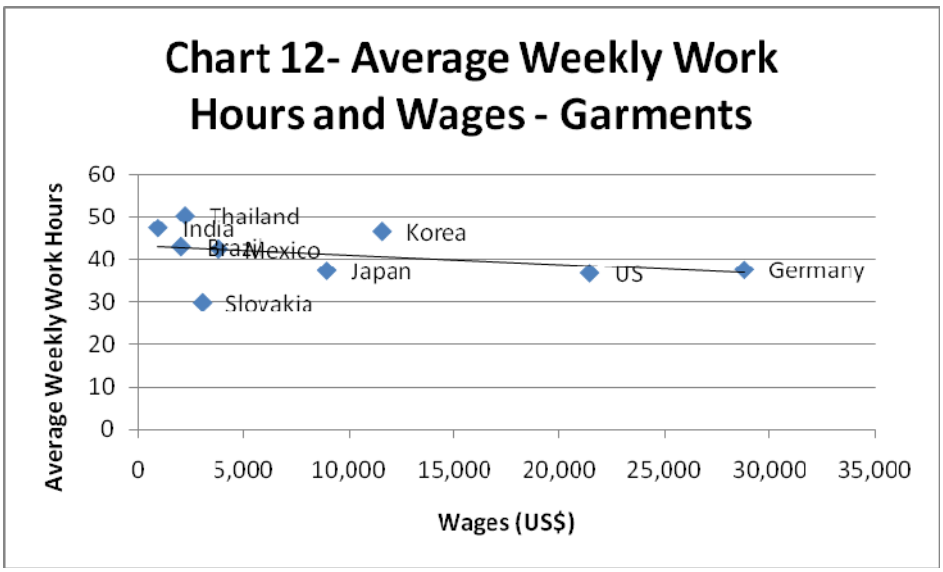
Country	Latest Year	Hours Worked per week Motor Vehicles	Hours Worked per week Garments	Hours Worked per week Textiles
India	2003	47.20	47.40	47.40
Thailand	2000	48.90	50.30	50.30
Germany	2003	36.10	37.50	38.60
Brazil	2004	43.90	43.00	42.90
Korea	2002	45.20	46.50	51.00
Mexico	2000	43.53	42.45	45.54
Japan	2002	39.60	37.30	37.60
Slovakia[81]	2003	33.00	29.80	29.80
US[82]	2002	41.90	36.70	39.90

[80] International Labor Organization. (2010). *LaborSTA*. Available from: http://laborsta.ilo.org/ [Online] Last accessed: 31 October 2010.
[81] Data for Slovakia was reported in hours per month. A calculation has been made to transform hours per month into hours per week by multiplying the figure by 12 to get the yearly figure and dividing by 52 to get the weekly figure. Results for Slovakia were excluded from the averaging process due to their unusual nature.
[82] Data for US Motor Vehicles and Textiles are from 2001 as 2002/3 data are not available.

In terms of the explanatory cause for why there are longer or shorter working hours per week, weekly hours of work was compared against both wages and productivity to establish whether there is a relationship between these variables. Charts 10, 11 and 12 compare the average weekly work hours of each country against the average wages. In each of the automobile, garment and textile industries these charts demonstrate that there is no relationship between average weekly work hours and wages. This suggests that there must be an alternative explanatory cause for both the wages and the hours of work.

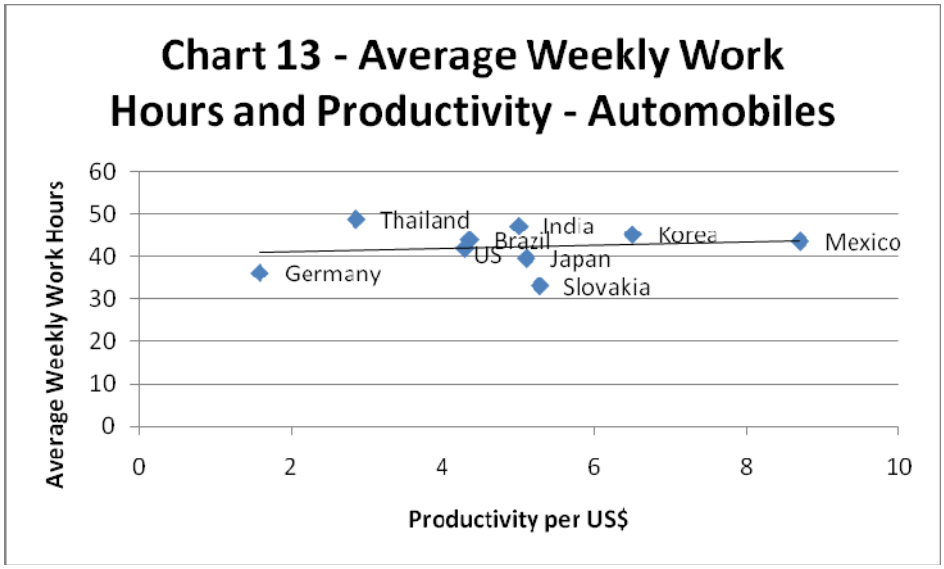


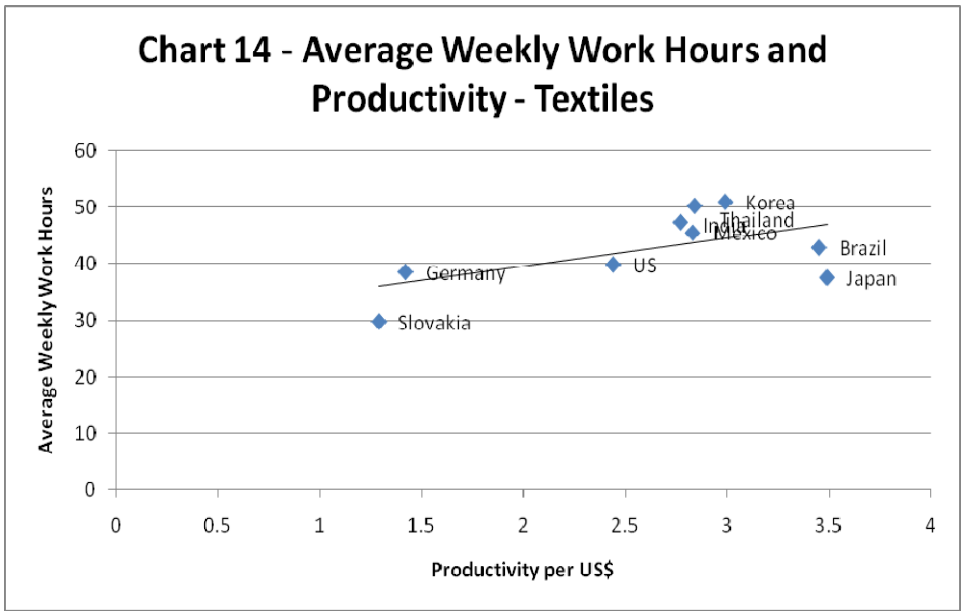


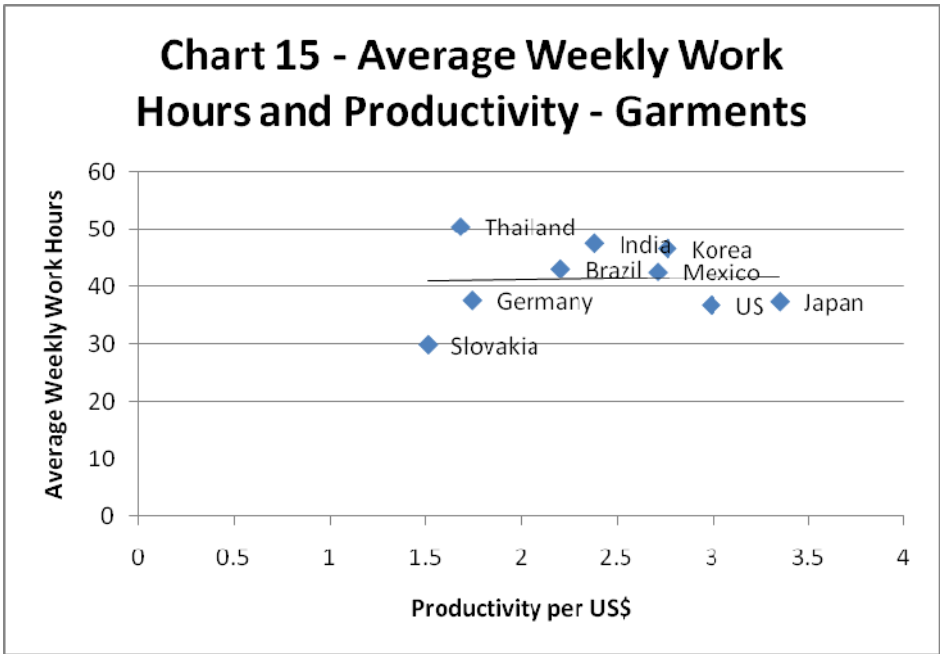


Charts 13, 14 and 15 compare the average weekly work hours and productivity to establish whether there is a relationship between these variables. As demonstrated by Charts 13, 14 and 15, there isn't a clear relationship between these variables. Even in the textile industry as represented by Chart 14, despite there being a grouping of countries with both higher productivity and higher weekly hours of work, there were even higher productivity countries such as Brazil and Japan with lower hours of work. Overall, the data suggest that

longer/shorter weekly work hours are neither the cause nor the effect of higher/lower levels of wages or productivity.







China

China does not routinely provide data to UNIDO or the ILO. Given the size and importance of China as an economy and a contributor to the global labour market it is important to gain some sense of what is happening in China in terms of wages and to that effect some material is discussed here from various sources.

The United States Bureau of Labor Statistics estimated the 2004 annual wage in the automobile sector at 18,485 Yuan (US$1811)[83]. In relation to automobile workers in China, Luthje suggests that automobile workers in assembly or engine part plants receive US$ 400 per month (US$4800 p.a.) whereas workers in supplier factories receive between US$112-144 per month (US$1728)[84]. This

[83] Lett, Erin and Banister, Judith. (2006). Labor Costs of manufacturing employees in China: an update to 2003-04. *Monthly Labor Review.* November, p44.
[84] Lüthje, Boy. (2010). *Auto Worker Strikes in China*. Available from: http://chriswhiteonline.org/2010/12/auto-worker-strikes-in-china/ [Online] Last accessed: 31 October 2010.

places Chinese automobile workers somewhere in the range of the 2005 figures for India (US$4575) and Thailand (US$4680).

With regard to the textile industry data from the US Bureau of Labor Statistics indicates that in 2004 average annual earnings of a textile worker was 9038 Yuan or US$1102[85]. Wang and Xiao of China's Shaoxing University indicate that the hourly wage in 2007 was US$ 1.54[86]. Under the assumption of a 40 hour week, this places Chinese textile workers in the range of India ($1143), Thailand ($2318), Brazil ($3584), Mexico ($5292) and Slovakia ($3846).

With regard to the garment industry, the Bureau of Labor Statistics reports that in 2004 China's average annual wage is 9066 Yuan (US$1105). This places China within the range of Brazil ($2020), Thailand ($2214), India ($898) and Slovakia ($3023). However, this figure is contested as it is based on the earnings of urban workers in the garment industry, with the BLS suggesting a figure of 40 US cents an hour (annually 7252 Yuan or US$883) outside China's urban centres[87]. Meng and Bai suggest garment workers received an hourly salary of Yuan 5.06 (US$ 0.61) in 2004, or based on the assumption of a 40 hour week, US$1268 annually.

Based on the above data the wages of Chinese workers locate China clearly within the group of countries including India, Thailand, Brazil, Mexico and Slovakia. This is a significant result as China is the largest contributor to the global labour supply with an estimated workforce of 792,430,000 in 2008 according to the National Bureau of Statistics of China[88]. As such the low

[85] Lett, Erin and Banister, Judith. (2006). Labor Costs of manufacturing employees in China: an update to 2003-04. *Monthly Labor Review.* November, p44.
[86] Wang, Jin and Xiao, Weige. (2010). *Study on Corporate Social Responsibility of China's Textile Enterprise.* Available from: http://www.seiofbluemountain.com/upload/product/201008/2010shcyx05a5.pdf [Online] Last accessed: 31 October 2010.
[87] *Ibid.,* p45.
[88] National Bureau of Statistics of China. (2010). *China Statistical Yearbook 2009.* Available from: http://www.stats.gov.cn/tjsj/ndsj/2009/indexeh.htm [Online] Last accessed: 31 October 2010.

wages of Chinese workers constitute a centre of gravity for workers in the global South.

There is an unfortunate lack of productivity data for China in terms of total value added per worker with no industry level studies available. Holz in an OECD study estimates that output per worker across the "Secondary Sector" (manufacturing in general) in 2004 was 19741 RMB (US$4893)[89]. This makes a productivity comparison with workers from other countries possible albeit in a crude sense. Recalling the average wages listed above by comparing the US Bureau of Labor Statistics data against Holz's output data it is possible to get a rough estimate of the output per dollar of wages in China. By applying this method China's automobile productivity would be 2.70 and lower than the majority of the countries considered as demonstrated by Table 6. By contrast China's textile labour productivity would be 4.44 and garment labour productivity would be 4.42, the highest of any of the countries studied as demonstrated by Table 11.

[89] Holz, Carsten. (2006). *Measuring Chinese Productivity Growth: 1952-2006*. Available from: http://www.oecd.org/dataoecd/46/45/37601286.pdf [Online] Last accessed: 31 October 2010, p171.

Table 6: Relative productivity including China						
Country	Automobiles		Garments		Textiles	
	Productivity	Rank	Productivity	Rank	Productivity	Rank
Mexico	8.69	1	2.83	6	2.71	5
Korea	6.49	2	2.99	4	2.76	4
Slovakia	5.27	3	1.29	10	1.51	10
Japan	5.09	4	3.49	2	3.35	2
India	4.99	5	2.77	7	2.38	6
Brazil	4.34	6	3.45	3	2.20	7
US	4.28	7	2.44	8	2.99	3
Thailand	2.85	8	2.84	5	1.68	9
China	2.7	9	4.44	1	4.42	1
Germany	1.58	10	1.42	9	1.74	8

Using recent Bureau of Labor Statistics data on hourly compensation costs for production workers differences in wages between all of the previously illustrated countries with the exception of Thailand can be illustrated with 2009 data, albeit without a corresponding analysis of productivity and limited to an all manufacturing average. The BLS data[90], presented in Table 7, confirms the reliability of the UNIDO data illustrating substantial differences between workers in the North and those in the South. There are limitations in relation to the data available for India and China in that the Indian data is for the formal, organized sector only and the most recent data available is that in 2007 while the Chinese data is for 2008.

[90] Bureau of Labor Statistics. (2011). *International Comparisons of Hourly Compensation Costs in Manufacturing., 2009.* (2011). Available from: http://www.bls.gov/news.release/pdf/ichcc.pdf [Online] Last accessed: 10 March 2011.

Table 7: Average Hourly Labor Compensation in Manufacturing (2009)	
Country	Hourly Compensation (US$)
Mexico	5.38
Korea	14.20
Slovakia	11.24
Japan	30.36
India	0.91
Brazil	8.32
US	33.53
China	0.73
Germany	46.52

Summary

Based on the data discussed in this chapter, a number of conclusions can be made about the global economy. Firstly there is significant evidence of a North-South divide in wages within the same industries. This divide was evident across all surveyed industries, and was consistent irrespective of region. The highest paid workers were those in Germany, Japan, the United States and Korea, all countries in the global North. By comparison the lowest paid workers were to be found in Thailand, India, Brazil and Mexico, all countries in the global South. It was notable that even in purchasing power parity terms there was a great disparity in terms of the wages received. This means that differences in the cost of living between global North and global South do not account for the differences in wages.

Another difference noted between the global North and the global South is that average workers in the global North spend less time at work than their counterparts in the global South. This trend was uniform across each of the surveyed industries, however it was noted that the Asian countries had longer

than average working hours both in the global North and the global South. It was established that there was no relationship either between average weekly work hours and wages or average weekly work hours and productivity meaning the length of the working week is institutionalized independently of either of these other variables.

With regard to productivity as a general rule high wages did not correlate with high productivity and low wages did not correlate with low productivity. It was found that in many cases, workers in the global South have either comparable or superior productivity in capital intensive industries such as motor vehicle (and parts) production as against their Northern counterparts. These findings contradicted the notion that wages are determined by productivity. It can therefore be concluded that productivity is neither the cause of nor a justification for higher wages and that as a result other explanatory causes need to be explored.

With regard to the garment and textile industries there was far less difference between countries in terms of their labour productivity. Aside from China, Japan and the US featured as the most productive countries for wearing apparel and Japan as the most productive for textiles. This is counter-intuitive in terms of the observed shift of production from the global North to the global South in both textile and garment production.

Through the industry studies presented in this chapter I have illustrated the differences that exist between workers on a global scale. In doing so I have refuted a common explanation used to justify higher wages in the global North, namely that the workers of the global North are more productive than the workers of the global South. Having established that the world is characterized by differences between various groups of workers there is a need to make sense of the differences that exist. The following chapters will attempt to make sense of why these differences exist by referring to various approaches in

economic theory. What also remains to be examined are the ways in which workers in the global North have been able to capture higher wages or conversely, the factors that are preventing workers in the global South from doing so.

Chapter 3 – Developing a Framework to Explain Differences between Wages

The information examined in the previous chapter shows that workers in different countries working in the same industries are getting different wages. There are North-South differences in wages but not necessarily in productivity. This chapter addresses the question of how to explain these differences by reviewing a range of orthodox and heterodox theories. The orthodox approach to differences between economies is essentially a model of the outcomes of free trade as pioneered by David Ricardo and developed into the Heckscher-Ohlin paradigm of international specialization. This is currently the dominant narrative about trade and development which emphasises that state or political intervention restricts the optimum outcomes from unfettered markets. The heterodox theories are more diverse but all reject purely economic explanations. Historical, social and institutional structures of power are central to these theories. They include modernisation theory, the Singer-Prebisch hypothesis, dependency and world systems theory, unequal exchange, Marxist ideas of imperialism and more recent notions of global commodity chains.

The Orthodoxy: Heckscher-Ohlin Theorem

The conventional wisdom in international trade and development in the early 21st century, and that which underlies the approach commonly known as the Washington Consensus, is the neoliberal approach based on the Heckscher-Ohlin model. This model was developed by Eli Heckscher a Swedish political economist and economic historian and Bertil Ohlin a Swedish economist at the Stockholm School of Economics and won the Nobel prize for Economic Sciences in 1977. As a central part of the Washington Consensus, the suite of free market policy positions that have characterized the period of globalization from the 1980s until the present, the model has been used not just to predict

patterns of trade but also to justify trade liberalization. An overarching concern with the Heckscher-Ohlin framework is that it attempts to turn patterns of specialization in an economy into a technical rather than a political question.

The model predicts that specialization and trade will both occur and will also benefit all countries which specialise according to their endowments. Countries with an abundance of unskilled labour would (should) specialize in the production of goods which require relatively more unskilled labour to produce them and countries with an abundance of capital would (should) specialize in the production of goods which require relatively more capital for production.

“Factor endowments” as they are called are taken to be gifts of nature and following them will mean that country can achieve what the neoclassical theorists term to be the best possible outcomes in terms of development. The model predicts as a result of this specialization there will be an aggregate benefit to the abundant factor meaning the skilled workers in capital intensive countries will benefit and the unskilled workers of labour intensive countries will also benefit and as a result both countries have an aggregate benefit from specialization and free trade.

Central to the Hecksher-Ohlin approach is a division of labour between what is termed labour intensive and capital intensive production. It is important to consider that unlike the subsequent theories discussed in this chapter which consider a division of labour as something which has negative developmental and political consequences, the Heckscher-Ohlin theorem considers a division of labour as a purely technical matter which promotes total economic output.

The foundation of neoclassical trade theory comes from David Ricardo’s *Principles of Political Economy and Taxation.* In this work Ricardo sets out his theory of international trade which continues to be the foundation of much economic theory. What is interesting about Ricardo’s work is that at the time of

its writing it was entirely prescriptive and yet much of his work has been picked up by subsequent economists and theorists, in particular the neoclassical economists, to be used not just as a prescription but also described as a scientific law of international trade. This section will describe the evolution of Ricardian trade theory, its foundations as set out by Ricardo, and the way in which the neoclassical theorists apply their theories to understand the world economy, to justify existing situations and to continue to offer advice in terms of development policy.

Ricardian international trade theory in its entirety has at its foundation a labour theory of value[91]. Smith, Ricardo and the classical political economists treated labour as the sole source of value and took the position that the real price of a commodity was determined by the amount of labour required to produce it[92]. This thinking was the conventional wisdom of political economy and remained the conventional wisdom until the development of the subjective theory of value which explained value in terms of the price a consumer will pay for it. This assumption is important both in terms of understanding Ricardo's theory of international trade and specialisation and also in terms of looking at the adaptations of Ricardo's theory.

According to Ricardo a country should specialize in production of commodities they have a relative comparative advantage in, where the advantage comes from increased productivity of labour as a result of specialization. To illustrate this Ricardo provides a two country, two commodity model involving England and Portugal. In a given year Ricardo suggests that cloth demand in England can be met by 100 labourers, whereas its wine demand can be met by 120 labourers[93]. Portugal by comparison can satisfy its annual demand for cloth

[91] Whitaker, A. (2001). *History and Criticism of the Labour Theory of Value.* Kitchener: Batoche Books. pp15-16 and Canterbury, E. (2001). *A brief history of economics : artful approaches to the dismal science.* Singapore: World Scientific, p89,
[92] Ricardo, D. (1821). *Principles of Political Economy and Taxation*. London: John Murray, p1.
[93] *Ibid.,* ch7, p 16.

with 90 labourers, and wine with 80 labourers[94]. The total number of labourers required to satisfy the demand of both countries is thus 390. The ideal situation therefore is one whereby Portugal meets the aggregate demand of both countries for wine through the use of 160 labourers, and England the aggregate demand for cloth for both countries with 200 labourers, a total of 360 labourers leading to an efficiency of 30 labourers as a result of trade.

It is thus that according to Ricardo, free international trade benefits everybody. In current terms this extends to a quasi-fundamentalist belief by economists in free trade. Such a belief requires a number of assumptions including "…perfect competition in goods and factor markets, constant returns to scale in production, identical tastes and technologies, no externalities, free and costless factor mobility within countries, fixed labour resources and technologies, trade equilibrium between countries, and full employment of the factors of production.[95]" These assumptions are largely consistent with the assumptions of the Hecksher-Ohlin Approach.

In the 20th century Ricardian trade theory was modified in line with the development of neoclassical economics. The neoclassicals abandoned the majority of Ricardo's theory, in particular the labour theory of value, but interestingly upheld Ricardo's comparative advantage. The standard neoclassical model of international trade and specialization is the Hecksher-Ohlin theorem, a model which finds its roots in Ricardo but was adjusted to include not only labour but also capital as a factor in production. The Hecksher-Ohlin model then goes on to suggest that every country has a relative endowment in either capital supply or labour supply. This endowment is treated as a naturally given circumstance at a given point in time as opposed to being either a situation that is historically or politically developed. As such these

---

[94] *Ibid.*
[95] Turnell, S. (2001). *Full Employment and Free Trade: An Historical Episode of Australian Intellectual Leadership.* Available from: http://www.econ.mq.edu.au/research/2001/1-2001Turnell.PDF [Online] Last accessed: 28 August 2006.

factors are independent variables in the system. This orients observers of the global economy away from development as a transformative process and towards a singular focus on economic output growth based on existing economic conditions.

Whereas most expositions of Ricardian theory assume that differences in productivity between countries were the result of differences in technology[96], the Hecksher-Ohlin theory assumes that technology is constant between countries. This has the effect politically of justifying differential outcomes as the result of factors such as effort, or skill levels as opposed to differential levels of development, or structural factors influencing distributions of value internationally[97].

Continuing with an examination of the various precepts of the Heckscher-Ohlin approach a central prescription is that factor endowments, the naturally given ratio between labour supply (the number of workers) and capital supply (the amount of capital available for investment) in a given country, would determine the relative cost of labour intensively produced goods (examples include wearing apparel and other simply transformed manufacturing) and capital intensively produced goods (elaborately transformed manufacturing such as automobiles) and produce a pattern of specialization. The result predicted/suggested in practice is that countries with relatively large labour forces and lower supplies of capital should specialize in labour intensive production and import capital intensive goods, whereas countries with relatively large amounts of capital and small labour forces, should specialize in capital intensive production and import labour intensive goods[98].

---

[96] Golub, S and Chang-Tai, H. (2002). Classical Ricardian Theory of Comparative Advantage Revisited. *Review of International Economics.* Vol 8, Iss 2, p224.
[97] See Leamer, E. (1999). Effort, wages and the International Division of Labor. *The Journal of Political Economy.* Dec 1999; Vol107, Iss 6, p1127.
[98] Krueger, Anne. (1984). Trade Strategies and Employment in Developing Countries. *Finance and Development.* June 1984, p23.

Apart from the critical difference where the Heckscher-Ohlin theorem drops the labour theory of value and brings in factor endowment as the variable determining specialization, Ricardo's model and the Hecksher-Ohlin model share the majority of key assumptions and as such from here on it is not necessary to discuss Ricardo separately. These assumptions include: the free mobility of commodities internationally, the immobility of factors of production internationally, the fact of demand and preference being constant across countries, the existence of perfect competition, freedom from transportation costs and full employment of both labour and capital in production[99]. These assumptions warrant examination in terms of their technical relevance to the world economy.

There are a number of problems with these propositions both at a theoretical and empirical level. In the first place the international free mobility of commodities does not exist as a condition in the global economy. Despite there being more trade and freer trade in goods and services than has existed previously there are both legal and market restrictions on a number of commodities. Some prominent examples of this are labour power (workers), armaments and narcotics in terms of legal restrictions, and the existence of artificial barriers to market entry such as tariffs and subsidies in terms of market restrictions[100].

With regard to the immobility of factors of production the assumptions of Hecksher-Ohlin are not in line with changes in conditions that have occurred. Factor endowment theory assumes that both labour and capital are relatively immobile on a global scale. In contrast to this theory is the reality of the international mobility of capital, in particular of financial capital. In terms of internationally mobile financial capital it is useful to divide this into two distinct streams. Capital can be mobile across borders through foreign direct

[99] *Ibid.,* p150.
[100] The continued failure of the Doha round of the World Trade Organization is evidence to this end.

investment where development, usually on a longer term scale, is led by private capital. Capital can also be mobile across borders through speculative finance. These two features of capitalism call into question a theory based on the level of capital within a country as an endowment. Historical precedents such as the Asian Financial Crisis of 1997-98 have demonstrated how quickly capital can move out of countries.

The international mobility of capital has an important effect on the programmatic usefulness of the Heckscher-Ohlin approach in terms of its policy prescriptions. If capital was in fact immobile on a global scale and was instead limited to a national source then it makes more sense to think of countries as being endowed with certain factors and to adjust their economic policies according to those factors. International mobility of capital however removes the notion of capital as endowment altogether as capital is able to move globally with relative freedom particularly as compared to labour.

While the majority of labour remains immobile on a global scale there remains a degree of migration, in particular of skilled workers. On the whole however, the Heckscher-Ohlin assumption about labour is correct. Mobility of capital but immobility of labour means that the balance of power within the global economy is in favour of capitalists relative to labourers. As a result of this to adequately explain or understand happenings in the global economy it is necessary to incorporate the notion of power. There are numerous theories which have attempted to incorporate power into their explanations of economic affairs which will form the basis of the rest of this chapter.

Differences in mobility create a structural divide between the labour forces of different countries with workers in capital poor countries being less able to compete for the benefits that have accrued to their fellow workers in the rich countries. Even in cases where workers in the global South have similar skill sets they are unable to compete for the higher wages available in the North due

to the prevalence of the nation-state system which restricts their mobility. Whatever can be said of the nation state in terms of its power relative to capital as a result of increased globalization the fact remains that the nation state exerts considerably more power over the movement of people than it does the movement of capital by restricting the flow of workers across its borders.

National borders and visa systems are one example of an institution which, depending on other factors, can regulate the labour market. At the most extreme end of possibility borders can totally restrict the flow of labour, however what is more often the case is that, particularly with North countries, borders and the visa systems that support them provide entry barriers into participation in the labour market in forms such as quotas, language testing, and the requirement for certain skills or incomes to enable a visa grant. The role of institutions and the way they can impact on economic outcomes will be discussed in a separate section.

The situation of perfect competition is one of the most unrealistic propositions of the Hecksher-Ohlin theorem. Despite numerous attempts to enforce a global free trade regime, countries all around the world have continued to protect their vested interests through favourable trade policy, the failure of the Doha round of World Trade Organization negotiations being a case in point[101]. When states, in particular more powerful states, are able to set economic policy based on a national interest, a manifesto espousing the virtues of global free trade is bound to be disappointed in the absence of a global state making policy on behalf of a global interest. Despite all of this the notion of unilateral trade liberalization is widespread within neoliberal thought[102].

[101] The Doha development round of the WTO began in 2001 as an attempt for global lowering of agricultural subsidies and industrial tariffs. Despite several meetings to address the issues raised by various countries, the Doha round has been deadlocked for over 6 years based on refusals by governments to lower national tariffs and subsidies.

[102] Panagariya, Arvind. (2004). Opponents Comments on "Subsidies and Trade Barriers" by Kym Anderson. *Copenhagen Consensus, p8*. See also: Bhagwati, J. (editor). (2002) *Going Alone: The case for Relaxed Reciprocity in Freeing Trade.* MIT Press, Cambridge, MA. See also: Lindsey, Brink. (2000). Free Trade From the Bottom Up. *CATO Journal.* Vol 19, Iss 3,

The political ramifications of the absence of free competition are important. The simple assumption of perfect competition diverts attention away from a world market which is increasingly dominated by monopolistic and oligopolistic control of both production and supply[103]. This has the effect of an imbalance in power in the market which neoliberal trade theory does not address, but which is addressed by the tradition associated with global commodity chain analysis which will be addressed in Chapter 5.

Despite globalization theorists such as Masson[104] and Krueger[105] pointing to a decline in transport costs globally the fact still remains that a transport free economic model does not make sense so long as there is a cost involved in the international trade resulting from international specialization. Dornbusch, Fischer and Samuelson for instance make the assumption that transport costs are zero and that even if transport costs were a factor, that "the invisible hand of competitive arbitrage will solve the problem[106]." To gain an accurate picture of the world economy, it is incorrect to assume that transport does not matter given that an international trade depends on an international transport system. This has an effect both on global employment with the creation of demand for transport, but can also help shape patterns of trade and specialization in itself. An example of this would be Maquiladora production along the US-Mexican border. The Heckscher-Ohlin approach in no way predicts the emergence of these industries or their geographical position which is largely the result of the

---

p361. See also: Garnaut, R (editor). (1998). Open *regionalism and trade liberalization*. Allen and Unwin: Sydney.

[103] Rangasamy, J. (2003). *The impact of tariff liberalisation on the competitiveness of the South African manufacturing sector during the 1990s.* Available from: http://upetd.up.ac.za/thesis/available/etd-07072004-124524/ Ch 2, p16.

[104] Masson, Paul. (2001). *Globalization: Facts and Figures.* IMF Policy Discussion Paper 04/01, p5.

[105] Krueger, Anne. (2006). *Globalization and International Locational Competition Symposium in Honor of Herbert Giersch.* Available from: http://www.imf.org/external/np/speeches/2006/051106.htm [Online]. Last accessed: 31 October 2010.

[106] Dornbusch, Rudiger, Fischer, Stanly and Samuelson, Paul. (1980). Heckscher-Ohlin Trade Theory with a Continuum of Goods. *The Quarterly Journal of Economics.* Vol 95, No 2, p205.

advantage Mexico gains from geographical proximity to the United States (and thus minimal transport costs). While it may be correct to say that transport costs have been declining and continue to do so it is incorrect to eliminate them as having any effect on the global economy.

Full employment of the factors of production means that all resources, labour and capital are used to their fullest extent, meaning capital is completely invested in production, and all labour is employed. This is an important assumption with regard to the Heckscher-Ohlin theorem because without this assumption increases in productivity that are understood to flow from trade can simply translate into unemployment instead of increased total production. The assumption of full employment of factors is one that is impossible to defend. The Carnegie Endowment in developing their trade model observes that in developing countries, "the assumption of full employment is so far from the reality that it is likely to significantly distort a model's results. The reality in such countries is a combination of very significant underemployment in the countryside and open unemployment in urban areas[107]." On a global scale, wide spread labour force unemployment and underemployment is one of the defining characteristics of the world economy. In addition to this, a large portion of global finance is being used in a speculative manner outside the productive sphere in futures and derivatives. As a result, this capital is not being invested in a stable and productive manner as per the assumption made in the model.

The Hecksher-Ohlin theory of international trade and specialization not only suffers from problems with its assumptions, but there is a methodological issue which limits the ability of the theory to explain what occurs in the global political economy. In the first place, the theory is ahistorical. At no point is there an attempt to suggest how factor endowments have come about. These conditions are simply accepted as given conditions.

[107] Polaski, Sandra. (2006). *Winners and Losers: Impact of the Doha Round on Developing Countries.* Carnegie Endowment for National Peace: Washington, p61.

A result of this methodology and the assumptions of this approach are policy prescriptions which are based on specialization in relation to existing strengths and weaknesses within the world economy. Critically this approach does not consider how factor endowments might be changed through development policy[108]. The assumption within the Hecksher-Ohlin approach is that if a country has a large supply of unskilled labourers that this is a naturally given state of affairs and that the characteristics of the country will not change.

In addition to this the approach does not consider how patterns of specialization may influence the relative levels of power that an economy or polity exercises on a global scale. As I will note later in the discussion of global commodity chain theory it can be argued that specialization in a stage of production which captures less value within a certain chain effectively cedes power to those who are able to exert greater influence on the chain of production. In ignoring relations of power, the Heckscher-Ohlin theorem attempts to turn the pattern of specialization in the global economy into a technical rather than a political question.

Despite sustained efforts to critique this approach, it is evident that many developing countries are indeed following Heckscher-Ohlin prescriptions on development. Examples of such approaches include China[109], India[110] and

[108] Subasat, T. (2003). What Does the Heckscher-Ohlin Model Contribute to International Trade Theory? A Critical Assessment. *Review of Radical Political Economics.* Spring 2003, p154.
[109] Xinhua News Agency. (2008). *China to support labour-intensive industries to create jobs.* Available from: http://www.chinadaily.com.cn/bizchina/2008-10/27/content_7145083.htm Last accessed: 25 October 2009. See also: Government of the Peoples Republic of China: China Economic Information Network. (2006). *More labor-intensive industries needed*. Available from: http://www1.cei.gov.cn/ce/doc/cen1/200608312431.htm [Online] Last accessed: 25 October 2009.
[110] Singh, Manmohan. (2005). *Prime Minister's Address to the 40th Indian Labour Conference.* Available from: http://labour.nic.in/lc/40ilc/40ilcpmspeech.doc *[*Online] Last accessed: 25 October 2009. See also: Narang, Kamal. (2009). *New Trade Policy to Focus on Labour-Intensive Exports.* Available from: http://www.thehindubusinessline.com/2009/08/11/stories/2009081152171500.htm [Online] Last accessed: 25 October 2009

Indonesia[111] [112], countries with very large labour supplies which are increasingly specializing in labour intensive production for trade. An example of Hecksher-Ohlin prescriptions in action come in the form of Export Processing Zones (EPZs). A useful definition in relation to EPZs comes from the ILO which defines EPZs as "industrial zones with special incentives set up to attract foreign investors, in which imported materials undergo some degree of processing before being re-exported[113]." EPZs have been established in numerous countries in the global South whose labour markets are characterized by large supplies of unskilled workers. In 2003 it was estimated that approximately 43 million workers were working in EPZs, the majority of whom are in the global South[114]. EPZs correspond to the Hecksher-Ohlin model as they involve a deliberate industrial policy of specialization in labour intensive production on the basis of a factor endowment in the form of a large supply of unskilled workers.

The Hecksher-Ohlin theorem is one which attempts to predict the existing pattern of specialization. The theory has also been used by proponents of free trade to justify this pattern of specialization as well as a very specific set of trade and development policies, namely export-led development and comparative advantage specialization, as a means to maximize economic output. In this sense the Heckscher-Ohlin theorem despite being the conventional wisdom of trade and development, is not really a theory of development. Particularly with reference to what it terms countries with a factor endowment biased towards labour supply it deemphasizes accumulation of capital or skilling of the

[111] Xinhua News Agency. (2005). *Indonesia to focus on labor-intensive, export-oriented industry. Available from:* http://www.highbeam.com/doc/1P2-15990648.html [Online] Last accessed: 25 October 2009.
[112] Ant-Lkbn Antara. (2005). Govt to focus on labor-intensive, export-oriented industries. Available from: http://www.highbeam.com/doc/1G1-139192376.html [Online] Last accessed: 25 October 2009.
[113] International Labor Organization. (2010). *What are EPZs?* Available from: http://www.ilo.org/public/english/dialogue/sector/themes/epz/epzs.htm [Online]Last accessed: 31 October 2010.
[114] Sargent, John and Matthews, Linda. (2006). *China vs Mexico in the Global EPZ Industry: Maquiladoras, FDI Quality and Plant Mortality*. Available from: http://ea.panam.edu/cbes/pdf/WorkingPaper1-06.pdf [Online] Last accessed: 31 October 2010, p2.

workforce in favour of making the existing conditions the foundation of the entire economy. This is a position which contrasts with the prescriptions of economic theories that have a development centred approach.

Modernization Theory

The modernization approach can be said to begin with W.W.Rostow, an American political theorist and economist. Rostow was also part of both the Kennedy and Johnson administrations in the US serving in various capacities including Deputy Special Assistant to the President for National Security Affairs, counselor to the Department of State, Chairman of the Policy Planning Council and Assistant for National Security Affairs. In his academic career Rostow taught at Colombia University, Cambridge University and the Massachusetts Institute of Technology.

It would be at MIT's Centre for International Studies that Rostow would begin his development of political theory with extensive support from the Ford Foundation and the US government[115]. There was a deliberate and coordinated attempt to produce "an alternative to Marxism[116]" for the global South in order to reinforce "the national welfare of the United States[117]." In an obituary for Rostow, Solivetti writes in relation to *Stages of Economic Growth* that

> "The book was intended to point out the possibility of development, especially for the Third World, capable of matching democracy with increasing economic wellbeing for the masses…it was intended to show that modernization and industrialization did not necessarily lead, as most of the Marxists of that time thought, to a society with a few millionaires and

[115] Baber, Zaheer. (2001). Modernization Theory and the Cold War. *Journal of Contemporary Asia.* Vol 31, no 1, p75.
[116] Rosen, George. (1985). *Western Economists and Eastern Societies: Agents of Social Change in South Asia, 1950-1970.* Baltimore: John Hopkins University Press, p28.
[117] *Ibid.,* p27.

destitute, alienated masses; with increasingly rapacious capitalists and increasingly resentful workers[118].”

Rostow along with other intellectuals at the Centre for International studies were from the beginning engaged in “the production of knowledge which they believed was necessary for US interests and the perpetuation of global capitalism[119].” The ideological basis for the development of the theory, the context of the Cold War, and the desire to engender faith in the future of capitalism are critical to understanding modernization theory. Modernization theory became influential as a result of it being promoted by the US government, a section of US academia and the private sector through the Ford foundation to ideologically capture the developing societies in a way that would ensure US hegemony.

Modernization theory suggests that there is an overarching path of development that will be traversed by all countries. Rostow’s theory segmented the developmental process into 5 separate stages through which each individual country would pass: “the traditional society, the preconditions for takeoff, the takeoff, the drive to maturity, and the age of high mass-consumption[120].” These stages are said to categorize the developmental condition and explain the developmental process of any given society. Rostow’s approach is both linear and teleological with no scope in his approach for a country to be in a state of regression. In the following section, it will be seen how this notion of universal progress contrasts with the heterodox approaches to development which consider that countries can also go backwards.

The Rostowian message with regard to wages can be extrapolated out of the theory of development. With the age of mass consumption within which the rich

[118] Solivetti, L. (2005). W.W.Rostow and His Contribution to Development Studies: A Note. *The Journal of Development Studies*, Vol.41, No.4, p719.
[119] Baber, Zaheer. (2001), p82.
[120] Rostow, W.W. (1960). *The Stages of Economic Growth: A Non-Communist Manifesto*. London: Cambridge University Press, p4.

countries are located being set as the eventual goal, countries with lower standards of living are seen as being part of lower phases of development. As such wages are explained by way of the developmental phase that a society finds itself in with a link being drawn between the productivity of a society and the wages received by its workers. In order to improve wages it is necessary therefore to pursue the capitalist model of development and to ensure social peace while waiting for progress into a higher phase. Whereas the Heckscher-Ohlin approach seeks to make political action illegitimate as issues such as wages are technical questions, the Rostowian approach seeks to make political action on behalf of workers illegitimate in that any conflict would only obstruct progress towards the goal of modernization. The theory attempts to bind workers with capitalists around a sense of national interest.

Before embarking on an exploration of Rostow's modernization theory it must be noted that the majority of criticism directed at Rostow's theory surrounds the very basis upon which his theory is built, the idea of stages of development. Berrill raises the objection that history (and by extension, economies) are in "continuous flux[121]." The irony of this is that Rostow's approach was essentially the capitalist mirror to the historical materialism of Marx whose theory Rostow intended to criticize. In critically analyzing the Rostowian theory, I will focus more on what Rostow leaves out of his analysis and on where Rostow places his emphasis in terms of how development is achieved.

Rostow's argument places the entire responsibility for the development of a national economy on the internal conditions of that economy. Immediately a contrast between modernization theory and the neoliberal theory can be noticed with modernization theory making the implicit assumption that not only 'should' countries economic structures change over time to become more and more capital intensive but that this is an inevitable result of the process of

[121] Berrill, K. (1960). *The Problem of Economic 'Take-Off'.* Round table of the International Economic Association on Economic Development with Special Reference to East Asia, p2.

accumulation. There are numerous inadequacies with modernization theory which need to be addressed and the critique of modernization and linear development theories is the starting point of many of the heterodox approaches to global political economy such as dependency and world systems theory.

Rostow's initial category of the 'traditional society' encompasses those societies "whose structure is developed within limited production functions, based on pre-Newtonian science and technology, and on pre-Newtonian attitudes towards the physical world[122]." Traditional societies are also majority agriculturally based and with political power vested regionally rather than centrally. As a result of this such societies are said to suffer from a lack of productivity characterized by inability to apply 'modern science'. Important to Rostow's theory in terms of this thesis is the link that is drawn between productivity and wages where Rostow considers that development and thus higher wages are impossible without productivity in both industry and agriculture being improved through the introduction of 'modern technology[123]'. The link between technological progress, productivity and higher standards of living is one that is consistent throughout the stages in Rostow's theory. Given the results demonstrated in the previous chapter showed no relationship between productivity and wages, this assumption is questionable however for the purpose of explaining Rostow's theory I will leave this concern aside. According to Rostow once the fetters of "traditional society" are shaken off, the beginning of the developmental process has begun and a society has within it the "preconditions for takeoff."

It is Rostow's "preconditions for takeoff" that is the most historically misleading section of his theory. Rostow suggests that the first societies to reach the preconditions for takeoff were those of Western Europe in the late 17th and early 18th centuries as a result of "modern science…translated into new production functions in both agriculture and industry, in a setting given dynamism by the

[122] Rostow, W.W. (1960),. p4.
[123] *Ibid.,* p59.

lateral expansion of world markets and the international competition for them[124]." This expansion of world markets and international competition coincides with the era of colonialism with Britain reaping substantial profits from their colonial expansion into the Caribbean (fueled also by the export of captured African slaves) as well as India. The expansion of British capitalism coincided with the expansion of the British Empire, a trend mirrored in other European nations.

Rostow sees this era as a process which led to extensive global development. He explicitly suggests that colonialism developed many societies[125] and thus explains development for Europeans and other former colonial powers as the result of the internal dynamics of their economies, whereas for non-Europeans initial development is explained as something imposed through colonialism[126]. As such, Rostow imparts a positive value to imperialism and colonialism in contrast to some of the Marxist writing on imperialism which will be discussed later.

In the next phase, the 'takeoff', Rostow begins by following the same line of argument. The takeoff is the phase where all fetters to modernization have been removed and capital accumulates to the extent that compound interest can be observed in a society's economic growth and development. Again there is the emphasis on internal conditions of a society, particularly technological development, being the sole factor behind the ability to develop to the takeoff stage[127].

Criticism for Rostow about this phase of his theory can come from numerous angles. Knall raises the point that compound interest as put forward by Rostow

[124] *Ibid.,* p6.
[125] Rostow, W.W. (1960,p6.), p6.
[126] *Ibid.,* p6.
[127] *Ibid.,* p8.

is a "quasi-automatic mechanism for development[128]" which in reality does not exist. In following this line of argument Rostow also discounts imperialism, colonialism, slavery, and settler genocide as major contributing factors in the development of former colonial powers putting the exclusive focus on technology. While technology from the colonial power may have been an important factor in the development of countries such as the US and Australia, the abundance of land for settlement and/or free labour, were critical factors borne out of the enslavement or destruction of peoples which Rostow ascribes little importance to.

According to Rostow, the period following the 'takeoff' is 'the drive to maturity.' This stage is characterized by an extension of 'modern technology' over the entire economy, further increases in levels of investment as a percentage of income, the development of new industries and the 'leveling off' of old industries. This phase is also characterized by a changing participation in the international economy where "goods formerly imported are produced at home, new import requirements develop, and new export commodities to match them[129]."

The final stage in Rostow's theory of development is the "age of high mass consumption." This is the stage in which a society's productive resources are directed away from the production of subsistence goods and towards services and consumer durables[130]. Rostow suggests that some of the characteristics of these societies include: a large number of people with an income that transcends subsistence, increased urbanization, and an increase in the skilled labour force.

---

[128] Knall, B. (1962). Wirtschaftserschliessung und Entwicklungsstufen: Rostow's Wirstschaftsstufentheorie und die Typologie von Entwicklungsländern. Cited in, Itagaki, Y. (1963). The Criticism of Rostow's Stage Approach: the Concepts of Stage, System and Type. (1963). *Developing Economies.* Vol 1, Iss 1, p7.
[129] Rostow, W.W. (1960), p9.
[130] *Ibid.,* p10.

There is a notable ethnocentrism in Rostow's approach. Critics such as Frank, point out that "…our ignorance of underdeveloped countries history leads us to assume that their past and indeed their present resemble earlier stages of history of the now developed countries. This ignorance and this assumption lead us into serious misconceptions about contemporary underdevelopment and development[131]." The experiences described by Rostow in his theory are consistent with those experiences of Western Europe, North America and Australia; however it would be an inductive fallacy to conclude that they are necessarily consistent with the experiences of other countries, particularly former colonies.

An analysis of the global economy using Rostow's approach would see a world at different stages of development concluding that by following what is perceived to be correct policy prescriptions that less developed countries will pass through Rostow's stages over time. It is assumed that such countries will eventually join the world of mass consumption, even if this may be a slow process. Modernization theory therefore justifies inequality between countries as a result of historical, political and cultural factors which have delayed modernization.

The most prominent example of use of modernization theory may be seen in the approach of the Chinese Communist Party (CCP) as well as the United Progressive Alliance government in India. In the Chinese example, since the Third Plenary Session of the Party's Eleventh Central Committee, which resulted in the accession of Deng Xiaoping theory as the guiding line of the CCP in 1978, the party has characterized Chinese society as backward[132], a term with a parallel to Rostow's traditional society.

---

[131] Frank, A. (1969). *The Development of Underdevelopment.* In Roberts, J and Hite, A. (2000). *From Modernisation to Globalisation*. Blackwell Publishers: Massachusetts, pp159-160.
[132] See Wang Yu. (2004). Our Way: Building Socialism with Chinese Characteristics. *Political Affairs.* January. And Deng Xiaoping. (1984). *Building Socialism with a Specifically Chinese Character.* Available from: http://english.peopledaily.com.cn/dengxp/vol3/text/c1220.html [Online] Last accessed: 31 October 2010.

Deng Xiaoping theory then advocates that behind the sufferings of the Chinese people is not inequality or what in Marxist terms would be called the relations of production. The problem is characterized in terms of lack of "development of the productive forces" the overall size and efficiency of the economy as a productive process. As a result of this approach, stress is placed on "highly developed productive forces and an overwhelming abundance of material wealth[133]." Therefore "the fundamental task for the socialist stage is to develop the productive forces[134]."

The CCP's sole answer to the problems of development therefore is the expansion of the economy and its modernization; it does not concern itself with distributions of value either within China, or within the global economy of which China is a part. An example of this approach can be found in the following quote from Deng Xiaoping at the 11th Congress of the CCP: "As our country is still backward, the workers' conditions cannot be improved overnight, but only gradually on the basis of increased production and particularly of higher productivity of labour[135]."

I have previously noted how Rostow places the age of mass consumption into the far distant future, justifying the underdevelopment of societies as being the result of its stage of development. In much the same way, the Chinese Communist Party, with the concept of the 'primary stage of socialism' places an age of consumption in a distant Chinese future. The following quote from a statement by Premier Wen Jiabao in 2007 is illustrative of this view:

---

[133] Deng Xiaoping. (1984). *Building Socialism with a Specifically Chinese Character.* Available from: http://english.peopledaily.com.cn/dengxp/vol3/text/c1220.html [Online] Last accessed 26 October 2009.
[134] *Ibid.*
[135] Deng Xiaoping. (1978). *The Working Class Should Make Outstanding Contributions to the Four Modernizations.* Available from: http://english.peopledaily.com.cn/dengxp/vol2/text/b1250.html [Online] Last accessed: 26 October 2009.

> "China is at the primary stage of socialism, and will remain so for a long time to come. The primary stage means a stage of underdevelopment, which manifests itself, first and foremost, in the low level of the productive forces. Therefore, we must unswervingly take economic development as the central task and go all out to boost the productive forces[136]."

A similar vein of thought can be found when examining the Common Minimum Program of the United Progressive Alliance which is the organizing program of the Indian government. The approach of the government again focuses on the expansion of the size of the economy at 7-8% GDP per year[137], as well as the introduction of modern techniques in industry[138] and agriculture[139], and the continuous accumulation of investment capital. It is considered that this expansionist policy will lead to an increase in "the daily well-being of the common man across the country[140]." Again a combination of investment and growth is considered all that is necessary in order to lead to better economic outcomes for both workers and capitalists. No attention is paid to the power relations between the two classes, the type of economy that is being created, the type of society that is being created or who has control over these factors.

As a theory which claims to have explanatory value in terms of developments in the world economy, and as a theory which informs the politics of actual economies, Modernization theory has a great deal of currency. As has been demonstrated, it is a body of theory which places stress entirely on the internal conditions of a country. More critical accounts of developments in the global economy place much greater stress on the relationship between the internal

---

[136] Wen Jiabao. (2007). *Our Historical Tasks at the Primary Stage of Socialism and Several Issues Confronting China's Foreign Policy*. Available from: http://www.fmprc.gov.cn/ce/ceno/eng/dtxw/t301338.htm [Online] Last accessed: 26 October 2009.
[137] United Progressive Alliance. (2004). *National Common Minimum Programme of the Government of India.* Available from: http://pmindia.nic.in/cmp.pdf [Online] Last accessed: 31 October 2010,.p2.
[138] *Ibid.,* pp16-17.
[139] *Ibid.,* p4-5.
[140] *Ibid.,* p2.

conditions of an economy and its interactions on a world scale, particularly its interactions with more powerful economies. It is to these ideas which I will now turn.

The Singer-Prebisch Hypothesis

The Singer-Prebisch hypothesis was a groundbreaking observation in development economics, the observations of which are debated to this day. In the early 1950s United Nations Director for the Economic Commission in Latin America Raul Prebisch[141], and Director of the Economic Division of the United Nations Industrial Development Organization, Hans Singer[142] developed a proposition about trade and development with particular focus on the impact on underdeveloped countries. The first official publication of this line of thought is Prebisch's *The Economic Development of Latin America and its Principal Problems* in 1950 in which Prebisch demonstrated that over time the terms of trade for Latin America had deteriorated.

Prebisch and Singer's theories sought to explain how the economic growth of industrialized nations did not, as neoclassical theory suggested, benefit poorer countries[143]. Instead by observing trade patterns over time Prebisch and Singer suggested that the exports of raw commodities from the poorer countries would buy less and less of the advanced commodities manufactured by the rich countries. This body of theory also suggests that countries are not all on the same path of development as the modernization theory would suggest. This was a path breaking development in economic theory and would influence many future theorists, particularly those which would form what would become the dependency school.

---

[141] Prebisch, Raul. (1950). *The Economic Development of Latin America and Its Principal Problems.* New York: United Nations.
[142] Singer and Prebisch reached the same conclusions independent of one another.
[143] Ferraro, Vince. (1996). *Dependency Theory: An Introduction*. Available from: http://www.mtholyoke.edu/acad/intrel/depend.htm [Online] Last accessed: October 1 2005.

Singer in particular observed that what he called the 'underdeveloped countries' were subject to deteriorating terms of trade. In Singer's view, the deterioration in the terms of trade was caused by a number of factors. Firstly there was a lower elasticity in demand for the goods that the underdeveloped countries were producing (raw materials and primary products)[144]. Secondly there was a lower income elasticity of the demand for the goods being produced in that beyond a certain point households with higher incomes would cease to spend their additional income on food and would instead spend it on manufactured goods. Thirdly it was argued that monopoly rents were incorporated into the prices of the manufactured goods.

Most important out of all of Singer's observations was that technological progress was experienced differently by rich and poor countries. He noted that rich countries experienced higher wages as a result of technological progress, however poor countries experienced lower commodity prices due to technological progress as a result of the structure of the economy and the level of organization of the labour force[145]. The reasoning behind this is explained as the relationship that exists between producers and consumers in foreign trade.

Singer notes that "rising incomes of home producers to the extent that they are in excess of increased productivity are an absolute burden on the foreign consumer[146]." Singer observed that given the majority of export production was underpinned by foreign investment there would be an obvious pressure from the foreign investor to transfer gains in productivity into lower consumer prices rather than higher producer wages.

In order to counter a situation where underdeveloped countries suffer from deteriorating terms of trade Prebisch, heading the United Nations Economic

[144] Esslinger, Hans. (1996). '…More of Keynes and Less of Milton Friedman!': Sir Hans Singer's contributions to economics. *Review of Political Economy.* Vol 8, No 4, p374.
[145] Singer, Hans. (1950). The distribution of gains between investing and borrowing countries. *American Economic Review.* Vol 40. No 3, p478
[146] *Ibid.,* p479.

Commission on Latin America, recommended that the state would play the leading role in developing economies through import substitution policy[147]. This model depended on an alliance between the national bourgeoisie of the underdeveloped countries and their workers, with increased demand for nationally produced products leading to better developmental outcomes than a model of exporting raw materials and importing finished products.

Import substitution coincided with the doubling of real per capita income in Latin America between 1950 and 1970[148]. However the strategy ran into difficulties including problems with the size of the national economy, the political will of states to transform economically and the extent to which states had control over what was produced[149]. In retrospect Singer commented on the failure of his own developmental prescriptions stating that they were inappropriate for the economic structures of the underdeveloped countries and their majority agricultural populations. Import substitution, he said, merely aggravated the rural-urban divide in these countries due to the investment being directed to the urban manufacturing centres[150]. Despite increased productivity, countries were unable to raise productivity sufficiently to account for internal migration to the urban areas from the disenfranchised agricultural sector[151].

Aside from the policy recommendations of Singer and Prebisch, questions can be raised about the contemporary relevance of their approach given that it was based on underdeveloped countries exporting primary commodities and developed countries exporting manufactured goods. Such a model does not

---

[147] Prebisch, Raul. (1961). Joint Responsibilities for Latin American Progress. *Foreign Affairs.* Vol 39, p623.
[148] Yergin, Daniel and Stanislaw, Joseph. (2002). *Raul Prebisch and Dependencia Theory*. Available from: http://www.pbs.org/wgbh/commandingheights/shared/minitextlo/ess_dependencia.html [Online] Last accessed: 25 October 2009.
[149] *Ibid.*
[150] Singer, Hans. (1981). Thirty years of changing thought on development problems. In: Mishra, R P and Honjo M. *Changing Perceptions of Development Problems.* Nagoya: Maruzen Asia, p70.
[151] *Ibid.*

account for a developed country like Australia being so heavily involved in the mining industry, or why so many developing countries are so heavily involved in manufacturing.

In response to this changing economic situation, Singer has come out in defense of his original hypothesis about the relationship between developed and underdeveloped countries suggesting that deterioration in terms of trade for underdeveloped countries is the result of three factors. Firstly prices of primary products produced in underdeveloped countries have deteriorated faster than the primary products produced by developed countries[152]. Secondly prices of manufactures have fallen more in underdeveloped countries than in developed countries[153]. Thirdly, underdeveloped countries still export more primary commodities than do developed countries in terms of the share of exports held by primary commodities[154].

That the Singer-Prebisch hypothesis continues to influence debate about development economics is testament to the greatness of two economic thinkers whose path breaking work stood against the free trade orthodoxy and continues to do so. Despite the observed failings in terms of their policy prescriptions, Singer and Prebisch were also able to influence dependency theory, which at its heart is a more radical version of their initial hypothesis.

Dependency Theory

Singer and Prebisch inspired the dependency school which included a number of the former adherents of the Prebisch and structuralism, such as Chilean economist Oswaldo Sunkel[155], sociologist and later President of Brazil Fernando

[152] Esslinger, Hans. (1996), p375.
[153] *Ibid.*
[154] *Ibid.*
[155] Sunkel O. (1966), The Structural Background of Development Problems in Latin America *Weltwirtschaftliches Archiv*, Vol 97, Iss 1, p.22.

Cardoso[156] and Brazilian economist Celso Furtado,[157] as well as Marxist inspired versions of dependency by Paul Baran[158], Andre Gunder Frank[159], Immanuel Wallerstein[160], and Samir Amin[161]. Broadly, these views accepted the Singer-Prebisch thesis regarding the terms of trade however they differed in terms of their recommendations to the underdeveloped countries. As the positions of Sunkel, Cardoso and Furtado are largely similar to those of Prebisch and Singer, I will move on to discuss the Marxist derivatives of the dependency school.

The first of these Marxist derivatives is that of Paul Baran who provided the first Marxian dependency perspective in the form of *The Political Economy of Growth.* In this work Baran developed the concept of the economic surplus. Baran's framework allows for the consideration of different kinds of economic surplus around which he constructs his approach. The first is 'actual economic surplus' which is the difference between a society's output and their consumption[162]. The second is potential economic surplus which is the possible surplus if all impediments to surplus are removed, including unnecessary upper class consumption, the existence of unproductive workers, the irrational organization of production, and the unemployment that is systemic to capitalism[163].

[156] Cardoso, Fernando and Enzo, Faletto. (1979). *Dependency and Development in Latin America.* University of California Press: Los Angeles.
[157] Furtado, Celso. (1963). *The Economic Growth of Brazil: A Survey from Colonial to Modern Times.* Los Angeles: University of California Press. See also: Furtado, Celso. (1964). *Development and Underdevelopment.* Los Angeles: University of California Press.
[158] Baran, Paul A. (1957). *The Political Economy of Growth.* Monthly Review Press: New York.
[159] Frank, A. (1969).
[160] Wallerstein, I. (1974). The Rise and Future Demise of the World Capitalist System. *Comparative Studies in Society and History*, Vol. 16, No.4
[161] Amin, Samir. (1976). *Unequal Development: An Essay on the Social Formations of Peripheral Capitalism.* New York: Monthly Review Press.
[162] Baran, Paul. (1973). *The Political Economy of Growth.* Penguin: Ringwood. p132.
[163] *Ibid.,* p134.

The final form of surplus is planned economic surplus. Baran considers that in a rationally organized socialist society the levels of economic surplus may be lower than the potential economic surplus as instead of aiming to achieve the maximum surplus, a rationally ordered society would be based around human goals rather than profit maximization and thus the relationship between surplus and consumption would be qualitatively different[164].

In an apparent critique of the modernization approach, Baran argues against the idea of the global North reaching developmental outcomes through a slow and uninterrupted process within a capitalist framework and aided by socio-political stability[165]. In arguing against this version of history, Baran objects that "little mention is accorded…to the role that the exploitation of the now underdeveloped countries has played in the evolution of Western capitalism…and dependent countries today have no recourse to such sources of primary accumulation of capital as were available to the now advanced capitalist countries…[166]."

In terms of explaining underdevelopment, Baran's approach is two pronged. Firstly through the concept of the potential economic surplus, Baran critiques the irrationality of capitalism suggesting that the structure of a given society is one of the two key means by which a suboptimal economic outcome is reached. The second part of Baran's argument is centred around a vision of capitalism not based on competitive markets, but around the notion of monopoly capitalism which he argues is the material evidence to abandon the precepts of neoclassical economics[167]. Monopoly capitalism leads to a situation whereby firms which pursue economic activities beyond their own national borders then export surplus to the home country where it is then absorbed[168]. On a macro

[164] *Ibid.,* pp155-7.
[165] *Ibid.,* p124.
[166] *Ibid.,* pp124-5.
[167] *Ibid.,* p112.
[168] *Ibid.,* pp324-5.

scale, Baran argues, this leads to the relative enrichment of what I would term the global North and the relative impoverishment of the global South.

Concerning wages Baran outlines a number of factors as an explanation for low wage levels in the underdeveloped countries. The first is a demographic factor, with Baran being less concerned about population and more concerned about the increase in the supply of the labour force. In particular he notes that countries with large supplies of agricultural labour and pre-capitalist production such as handicrafts have a tendency towards high levels of unemployment and low levels of wages[169]. As such the factors underpinning Baran's approach are consistent with the ongoing reality of the global South.

Baran's approach is unique in that it is a Marxist theory that does not depend on the labour theory of value. Instead Baran often argues in Keynesian terms focusing on unemployment, aggregate demand and levels of investment. He combines this approach with the Marxist critique of capitalism, suggesting that due to the individual profit maximizing behavior of capitalist firms, there is an overall tendency within capitalism to maximize the economic surplus (in the form of the difference between wages and profits) on an individual level[170]. This, he argues, leads to suboptimal outcomes in terms of the levels of investment, productivity and consumption which are impossible to escape except under socialism.

In addition to the demographic factor, Baran argues that the low level of surplus in underdeveloped countries is a major reason why the wages are lower. As monopoly capital drains the surplus from the underdeveloped countries, he argues that this reduces the overall size of the economic surplus. Rosenberg, citing UN statistics, estimated that the transfer of capital from the global South to the global North was US$784 billion in 2006, an example of the empirical

[169] *Ibid.,* pp184-187.
[170] *Ibid.,* pp211..

relevance of Baran's approach[171]. When this surplus comes to be distributed between the various factors, the end result is that there is less to distribute and that therefore the wages are lower.

The Development of Underdevelopment by Andre Gunder Frank developed the concepts metropolis and satellite to describe relations between powers whereby economic benefits were extracted by the metropolis at the expense of the satellite internationally, interregionally and nationally due to a relationship of political and economic dependence[172]. Frank's perspective varies slightly from that of Baran in that it attempts to be a multilevel analysis whereas Baran's analysis is primarily one which is concerned with the relationship between nations and the impact this has on the economic surplus. In his essay Frank argued that there was a state of dependence between imperialist powers and subordinate states and also in the interior of the subordinate state in that this relationship is mirrored between urban and rural areas[173].

Whereas Rostow argued that primarily the level of development experienced by a country was the result of internal processes, Frank's analysis explicitly incorporated external conditions as part of the cause of underdevelopment. Frank's original work, T*he Development of Underdevelopment* was criticized by, among others, fellow dependency theorists such as Giovanni Arrighi[174] and later by Omar Sanchez[175] for an excessive focus on external conditions as being the determinant of development. These criticisms are important as a sole focus on what is happening outside a particular country considerably weakens the potential for action that arises out of a theory or limits it to a simple

[171] Rosenberg, Tina. (2007). Reverse Foreign Aid. *New York Times Magazine,* pp16-19
[172] Frank, A. (1969), p37
[173] *Ibid*
[174] Quoted in, Frank, A. (1978). *World Accumulation 1492-1789.* New York: Monthly Review Press, p14
[175] See for example: Sanchez, O. (2003). The Rise and Fall of the Dependency Movement: Does It Inform Underdevelopment Today? *Estudios Interdisciplinarios de America Latina el Caribe.* Vol 14, No 2 July-December. Available: http://www.tau.ac.il/eial/XIV_2/sanchez.html [Online] Last accessed: 31 October 2010.

disengagement with the relevant external force. In terms of the policy prescriptions arising out of dependency, the following quote from Sanchez is illuminating:

> "The danger run by those espousing dependency tenets uncritically is that they fall prey to the idea that development is an elusive goal as long as reforms in international economic regimes (trade, monetary, financial, etc.) are not undertaken. The reality is that there is much room throughout the Third World for undertaking domestic policies to improve domestic economic conditions within the rules of the current international economic order. While changes in trade and monetary regimes would be of much help indeed, they are far from panaceas. Dependency defenders conveniently omit the fact that a plethora of internal causes are crucial for explaining underdevelopment[176]."

What Frank is not often given credit for is that as an early writing *The Development of Underdevelopment* did place some stress on the internal conditions of a country's economy which Frank then expanded on in response to criticism regarding a possible overemphasis on external conditions.

In response to criticism, Frank restated his position in *Dependent Accumulation and Underdevelopment*, quoting Mao Zedong's *On Contradiction* to lay out what the philosophical underpinnings of dependency theory should be and suggests that "external causes are the condition of change and internal causes are the basis of change and that external causes become operative through internal causes[177]." This focus on the interrelationship between the internal social forces of a country and the social forces of other countries is a far more nuanced approach than what the dependency school in general is given credit for.

---

[176] *Ibid.*

[177] Mao Zedong. (1937). On Contradiction (August 1937), Selected Works, Vol. I in Frank, Andre Gunder. (1979). *Dependent Accumulation and Underdevelopment.* London: Monthly Review Press, p3.

The importance of internal conditions must be stressed as any approach that seeks to understand conditions in the global political economy, particularly those which seek to criticise the current world order, must provide some sense of agency for the disenfranchised they seek to represent lest they become mere armchair critics of the world capitalist system. Given Frank's comments it seems unfair to suggest Dependency Theory removes the possibility of domestic action toward development. Instead, it suggests that such actions must engage with established internal and external forces.

Frank's work on dependency theory attacks stageist approaches such as that of Rostow suggesting that the now 'developed' countries may have once been undeveloped, but that they were never underdeveloped, that is they never had their resources used for the development of other nations[178]. It also criticizes the liberal reformist approach of Prebisch suggesting that the:

> "national bourgeoisie, where it can be said to exist, and indeed the entire national metropolis and capitalist system on which it thrives, are necessarily so inextricably linked into the imperialist system and the exploitative metropolis–periphery relationship it imposes on them that it cannot possibly escape from and can only extend and deepen the resulting underdevelopment[179]."

Frank argues that the closer the ties to the 'metropolis' the more underdeveloped a country is, and that historically satellites have experienced flourishing periods whenever the metropolis has experienced crisis and been unable to exert its control[180]. By extension the key to overturning underdevelopment is the minimization or abolition of ties with the metropolis

[178] *Ibid.,* p160.
[179] Kapoor, Ilan. Capitalism, Culture, Agency: Dependency versus Postcolonial Theory. In, *Third World Quarterly*, 2002, Vol 23 No.4, p649.
[180] Frank, A. (1969)., p10

until the power relation is such that they can be mutually beneficial instead of exploitative.

World Systems Theory

World systems analysis was born out of the dependency school and is an approach which centres on the dynamics of the world economy. World Systems Theory is generally associated with the writing of Immanuel Wallerstein, a US based sociologist who was responsible for the creation of the theory. In addition to Wallerstein the World Systems School can be said to contain many similar writers who used Wallerstein's method in one way or another, including Andre Gunder Frank, Samir Amin and Giovanni Arrighi amongst others. The subjects of Wallerstein's research agenda can be seen as including "the functioning of the capitalist world-economy as a system...its relations with non-capitalist structures in the centuries before it became a fully global system, the comparative study of the historical alternative modes of production, and the ongoing transition to socialism[181]." While having little impact on actual geopolitics, the World Systems approach has had a significant impact on the disciplines of political economy and sociology.

The World Systems approach sees all nations as functioning as part of an integrated system. Wallerstein divides the nations of the world into three categories: core, periphery and semi-periphery[182]. He suggests that the core nations are the advanced capitalist nations who through the capitalist world system exploit the peripheral nations, in particular for cheap labour and raw materials. Semi-peripheral nations exhibit qualities of both core and peripheral nations. The concept of semi-periphery is deployed by Wallerstein in order to discuss nations that are in transition between the core and periphery either in an upward or downward sense.

[181] Goldfrank, Walter. (2000). Paradigm Regained? The Rules of Wallerstein's World-System Method. *Journal of World-Systems Research.* Vol 11, No 2, p165.
[182] Wallerstein, I. (1974), p401

Wallerstein suggests location in the world system is a result of a correlation or diffusion of interests within a given country. For instance in the predominantly agricultural periphery Wallerstein suggests that the characteristics of the landlord class, who desire an open economy in order to maximize their profits through the sale of their goods on the world market and minimize their costs through the purchase of imports, leads them into conflict with the commercial bourgeoisie[183]. This is in contrast to the class history of the core states in the 20th century where there was more of a coalition between the various capitalist classes.

Wallerstein suggests that once there is a disparity between strong and weak countries, that the "strengthening of the state-machineries in core areas has as its direct counterpart the decline of the state-machineries in the peripheral areas[184]." By this Wallerstein refers to peripheral states being subject to "war, subversion and diplomacy" as forms of extra-economic subjugation which reinforce structural differences. On this point the world systems approach is very similar to that of the dependency school.

Wallerstein asserts that the determining force for whether a nation becomes part of the core or periphery is that of state power[185]. State power is the key to enforcing or opposing the "systematic transfer of surplus from semi proletarian sectors in the periphery to the high-technology, industrialized core[186]." In this way "one finds continuing and increasingly higher levels of living in the core, where high wages, worker political organization, and surplus capital combine to produce pressure for ever greater technical advance[187]." Brewer summarises the position of Wallerstein in suggesting through influence of strong state machinery it is possible and indeed likely that stronger states will influence the

[183] *Ibid.,* p403.
[184] *Ibid.*
[185] *Ibid,*
[186] Goldfrank, Walter. (2000), p170.
[187] *Ibid.*

terms of trade when the normal workings of the market do not maximize their gains[188].

From the point of view of this thesis the most significant contribution is Wallerstein's emphasis on seeing the world as a whole rather than abstracting analysis on a national level. This perspective enables a consideration of the qualitative differences that exist between core and periphery countries or in my analysis what I would term the global North and the global South.

There is particularly pointed criticism of dependency and world systems theory from a Marxist perspective by Brewer. Brewer points out that while Frank and Wallerstein's theories attempt to be historically grounded they ignore the dynamism of history. He suggests that Frank claims the world economy still operates much in the same way that it did in the period of the Spanish and Portuguese colonizations, which he terms merchant capitalism[189].

Brewer suggests this error leads to confusion about how the periphery is exploited by the core and that whereas merchant capital was a situation where "output of scattered production units is gathered in regional centres for export in bulk[190]", "competitive capitalism…is characterized by a 'chain' with only one link: the relation between workers and capitalists[191]." This places Brewer in a school which I will later term 'global homogenization theorists' whose theories focus on a convergence between all workers and all capitalists on a global scale as opposed to the dependency theories which see a multiplicity of interests such as core capitalists, core workers, periphery capitalists and periphery workers, whose interaction has led to the relationship of dependency. Brewer's criticism of Wallerstein and Frank, implicitly assumes the polarization on a global scale

[188] Brewer, A. (1990). *Marxist Theories of Imperialism: A Critical Survey.* 2nd Ed. Routledge: London, p176.
[189] *Ibid.*
[190] *Ibid.,* p167.
[191] *Ibid.*

between workers and capitalists in every society with all workers forming part of a singular immiserated whole.

Another of the criticisms raised by Brewer is the difficulty faced by dependency theorists of quantifying the extracted surplus when exchange takes place between a core and a peripheral actor in the world economy. Given the general lack of homogeneity in the world economy in terms of production technique the solution of Marx to compare labour values becomes inappropriate[192]. Despite this Brewer does not make any argument for why workers doing the same work should be paid differently and simply elects by omission not to account for the material differences between workers.

Brewer then turns to the transfer of surplus as an explanation for core-periphery differences and suggests that Frank did not adequately explain why a transfer of surplus from periphery to core would necessarily lead to aggravated cross country inequality or a lack of investment in the periphery. If profitability is the main criterion for investment then it is argued that capital will be deployed mainly in the areas where the rate of return is highest. This would lead the majority of capital to be deployed in the underdeveloped areas as both the neoclassical economists and classical Marxists thought that it would be. Brewer argues that even if we accept as Frank and Wallerstein do that surplus accumulates to actors in the core, there is no explanation by either party as to why surplus by and large is not reinvested in the periphery where there are potential for far greater returns[193].

Even if the aggregate of investment from core countries into core countries, is greater than that from core to periphery, this argument does not account for the fact that due to lower labour costs in the periphery that a small amount of investment can achieve significant output as demonstrated by the figures which

[192] *Ibid.,* p169.
[193] *Ibid.,* pp169-170.

have been presented in Chapter 2. Indeed the benefits of these lower labour costs are the premise under which firms change the location of production. Perspectives such as the global commodity chain approach which I will examine in Chapter 5 demonstrate how production can encompass a number of stages with different levels of investment at each individual stage and without being confined behind borders.

According to Brewer another weakness in the argument of Wallerstein is that sections of this argument suffer from functionalism, particularly the concept of semi-periphery. In making an argument about how the semi periphery operates within a capitalist world system he claims "the semi-periphery is needed to make a capitalist world economy run smoothly[194]." After making such detailed claims about how core and peripheral states were historically produced this prescription about the semi peripheral states simply serving a need within the world system in terms of giving it stability is inadequate. The semi periphery may well serve this need but Wallerstein does not have much to say about how the semi periphery was produced and whether it is the result of development of peripheral states or de-development of core states.

Some theorists raise the mobility of some countries out of a state of underdevelopment as an argument against dependency theory. Harris points out that the movement of countries such as the Republic of Korea, Taiwan, Hong Kong and Singapore out of satellite/periphery status raises questions about dependency theory which Frank and Wallerstein did not answer particularly as these countries policy prescriptions contradicted those of the dependency theorists[195]. Such an analysis however, ignores the special historical cases which these countries represent.

[194] Wallerstein, I. (1974), p403
[195] Harris, Nigel. (1986). *The End of the Third World: Newly Industrializing Countries and the Decline of an Ideology.* Penguin: London, p30.

An assessment of the developmental histories of these countries is beyond the scope of this chapter however on face value the countries selected by Harris to disprove the validity of dependency theory are questionable. The Republic of Korea and Taiwan were both historically particular in that they were recipients of extensive support from the US as buffer states as part of their Cold War strategy. As such it would be impossible for a country to truly emulate the developmental paths of either South Korea or Taiwan as to do so would require a new global ideological conflict such as that of the Cold War within which a country could again position itself much as Taiwan and the Republic of Korea did in order to receive the benefits of alignment with the US.

Singapore and Hong Kong seemingly owe their 'successes' much more to their historical-geographical role of facilitating international trade than to any developmental policy. It would be impossible for most countries to 'emulate' Singapore or Hong Kong as a model of development without positioning themselves as global centres for transit and trade, something which owes itself more to accident, geography and colonial history than it does to good policy.

The dependency and world systems approaches can be contrasted with the Heckscher-Ohlin and modernization approaches in a number of ways. Firstly in terms of the outlook held for global capitalism, dependency and world systems approaches tend to see global capitalism as a negative force in terms of the impact it has on what these approaches would see as the satellite or periphery countries, or what I would call the global South.

The Heckscher-Ohlin approach stresses the need for specialization and freer trade for prosperity, and the modernization perspective stresses political stability and a singular focus on economic growth both making politics illegitimate as obstructions to cycles of trade and commerce. By contrast dependency and world systems perspectives stress politics and discontinuity with the system as it stands as necessary requirements for the betterment of workers in the global

South. In doing so these perspectives identify and equip social and political forces which can potentially alter the dynamics of the global political economy.

Despite any flaws of dependency and world systems theory, as methods of analysis they are superior to the neoclassical and modernization approaches for a number of reasons. Firstly these theories depend on historical investigation and analysis of world history, a component which is lacking in the neoclassical approach. Secondly, empirical evidence reinforces the conclusions reached by dependency theorists. Division of world income between classes and countries is a reality, and neoclassical theory either ignores relative differences in income, or predicts a state of convergence in global incomes. As demonstrated in Chapter 2, despite a period of 30 years where neoliberal policies have been dominant on a worldwide scale, world income remains polarized between the global North and the global South. Dependency theorists' criticisms of orthodox theories of trade and development have been vindicated in practice despite any flaws in their own theories.

Global Commodity Chain Theory

As noted in Chapter 1 one of the key ideas examined in this thesis is the global commodity chain (GCC) approach. The following section discusses GCC from a theoretical perspective. Building on this key idea, case studies will be undertaken in Chapter 5 informed by the GCC approach. This method of analysis has its roots in the world systems approach of Wallerstein. Indeed it was Hopkins and Wallerstein who coined the term global commodity chain as a more sophisticated way of explaining processes in the world system[196]. GCC has contributed a number of important insights in terms of theories of the global political economy. In this section GCC will be approached from the perspective

[196] Hopkins, T and Wallerstein, I. (1986). Commodity Chains in the World Economy Prior to 1800. *Review.* Vol 10, No 1,. p159.

of economic theory, however in subsequent chapters, GCC will form part of an analysis of politics and class and will be exemplified through case studies.

Analysis of global commodity chains is explicitly international or global in approaching the global political economy[197]. In the words of Appelbaum and Gereffi, "The primary task of GCC analysis is to explicate the interorganizational dynamics of global industries in order to understand where, how, and by whom value is created and distributed[198]." As such this approach can be particularly relevant for the question of differences between workers. GCC is unique as unlike other theories which focus on individual countries, classes within countries, or even the interaction of national classes within the world economy, the principal economic actors in the global commodity chains framework are transnational corporations[199]. The foremost proponent of GCC is Gereffi, who says that GCC analysis "focuses on the power exercised by the lead firms in different segments of the commodity chain, and it illustrates how power shifts over time[200]." Gereffi's thinking on GCC has evolved significantly over time. His initial attempt at theorizing about GCC, *A Commodity Chains Framework for Analysing Global Industries* is a reasonably narrow analysis which focuses almost exclusively on the role of transnational corporations.

The defining moment of Gereffi's thinking on the subject of GCC after this, can be said to be expressed with his presentation of the 2005 ILO Social Policy Lectures in Jamaica where his analysis broadens to consider in detail the various types of jobs involved in a GCC as well as the institutions of governance involved in regulating a GCC. Given that the majority of his work in defining commodity chains is associated with *A Commodity Chains Framework for*

---

[197] Gereffi, Gary. (1999). *A Commodity Chains Framework for Analysinig Global Industries.* Mimeo: Duke University, p3.
[198] Appelbaum, R and Gereffi, G. (1994). Power and Profits in the Apparel Commodity Chain. In, Global Production: The Apparel Industry in the Pacific Rim, edited by Edna Bonacich, Lucie Cheng, Norma Chinchilla, Nora Hamilton, and Paul Ong. Philadelphia, PA: Temple University Press, p42.
[199] Gereffi, Gary. (1999). *A Commodity Chains Framework for Analysing Global Industries,* p3.
[200] *Ibid.,* p3.

Analysing Global Industries, I will introduce commodity chains as Gereffi understands them and critique his initial theory before moving on to the developments presented in the ILO lectures.

Gereffi identifies two distinct types of commodity chain which both have particular defining characteristics. Producer driven commodity chains "are those in which large, usually transnational, manufacturers play the central roles in coordinating production networks[201]." These chains, according to Gereffi, are characteristic of capital intensive manufacturing. Gereffi gives the example of the automobile industry to illustrate how companies structure production over several tiers between parent companies, subsidiaries and subcontractors to eventually produce a final product themselves.

In contrast to this is the buyer driven commodity chain which is characterized by "large retailers, marketers, and branded manufacturers" who while involved in the setting up of production networks, do not actually involve themselves in production. According to Gereffi:

> "Profits in buyer driven chains derive not from scale, volume, and technological advances as in producer-driven chains, but rather from unique combinations of high-value research, design, sales, marketing, and financial services that allow the retailers, designers, and marketers to act as strategic brokers in linking overseas factories and traders with evolving product niches in their main consumer markets[202]."

Despite the overall descriptive value of the global commodity chain approach, such an approach has a number of theoretical weaknesses. Firstly, there is the issue of placing transnational corporations and their decisions at the centre of the theory. There is very limited discussion of development or the political

[201] *Ibid.,* p1.
[202] *Ibid.,* p2.

consequences of the global division of labour in this body of theory except to say that producer driven commodity chains were more associated with import substitution policies and that buyer driven commodity chains are more associated with export led development[203]. At no point in his initial development of his commodity chain perspective does Gereffi discuss the role of labour within a global commodity chain.

The global commodity chain approach also suffers from the globalist fatalism that characterizes the majority of globalization theory. This again is the result of placing the transnational corporations and their perspective at the centre of the theory. By establishing as a universal law the fact that transnational corporations are going to structure international networks of production or set up decentralized contracting networks to produce their product this limits the prescriptive value of the theory to a policy approach oriented around accommodating transnational corporations.

By simply stating that the buyer driven commodity chain is at a stage of historical primacy, and through an unsophisticated and uncritical account of the rise of East Asian newly industrializing countries, Gereffi ends up making a defense of the virtues of export led development. In doing so he joins the chorus of neoclassical voices whose policy prescriptions involve specialization in labour intensive export production. Gereffi's global commodity chain approach mirrors the neoclassical writers by speaking of the global division of labour as if it were apolitical.

Some observers have seen his approach as not only analytical but programmatic, whereby a country can get its firms integrated at the lowest level of a commodity chain and through the transfer of skills and technology can

[203] *Ibid.,* p2.

engage in 'industrial upgrading[204]' or even the production of the 'full package[205]' over time. Such an optimistic view of commodity chains and their developmental possibilities is contested by Schrank, who has provided evidence in the form of Mexico's textile and garment industry that 'upgrading' to full package production has actually led to even lower unit returns to manufacturers than being a simple part of the commodity chain due to the overproduction of textiles and garments on a global scale[206]. The result of this is that the increased productivity associated with full package production is due to "wage compression rather than technical innovation[207]."

It is interesting to note that after the publication of *A Commodity Chains Framework for Analyzing Global Industries* Gereffi was invited to deliver the 2005 ILO social policy lectures where it appears Gereffi had begun to incorporate institutional factors into his analysis. Gereffi suggests that whereas often the social critique of globalization is dismissed as a mere backlash, in reality this critique is not a rejection of globalization but a demand for effective governance and an awareness that the ability of prevailing state systems and institutions' to act in the interests of the polity is has been outstripped by globalization[208].

Contained within the lectures that Gereffi presented to the ILO are a number of interesting observations. One such example helps to explain how the disparity of wages that were evident in the case studies I presented in the first chapter have survived despite (or rather because of) the phenomenon of outsourcing. Gereffi notes that the majority of the current industry statistics do not distinguish

---

[204] Kessler, Judi. (1999). The North American Free Trade Agreement, Emerging Apparel Production Networks, and Industrial Upgrading: the Southern California/Mexico Connection. *Review of International Political Economy.* No 6, pp565-608.
[205] Gereffi, Gary. (1997). Global Shifts, Regional Response: Can North America Meet the Full-Package Challenge? *Bobbin.* (November). pp16-31.
[206] Schrank, Andrew. (2004). Ready-to-wear Development? Foreign Investment, Technology Transfers and Learning by Watching in the Apparel Trade. *Social Forces.* Vol 83, No 1, p139.
[207] *Ibid.,*
[208] Gereffi, Gary. (2005). *New Offshoring of Jobs and Global Development.* ILO Social Policy Lectures: Jamaica, December, 2005, pp40-41.

between “labour-intensive assembly activities, advanced manufacturing of components and finished products, or product development, design, and engineering services[209].” As such, what appears to be the same work with workers being paid differently is in fact different work which is part of a segmentation process within the same industry.

In terms of wages this has an important ramification in terms of the differences between the global North and the global South. Gereffi, citing McKendrick et al, notes that:

> “large and technologically sophisticated suppliers tend to concentrate “good” jobs in relatively few locations. The hard disk drive industry illustrates this pattern. Jobs in the US hard disk drive industry migrated to South-East Asia over a 20-year period beginning in the late 1970s...Nevertheless, hard disk drive design remained rooted in the United States, and since design jobs pay much more than production jobs, nearly 80% of the wage bill was paid to workers in the United States, despite the fact that 80% of the jobs were in South-east Asia[210].”

Heintz is one of the few theorists who incorporates labour into commodity chain analysis. Heintz has combined Gereffi’s global commodity chains analysis of buyer driven commodity chains with the unequal exchange theories of Emmanuel and as such his is more of a theory of political economy. Heintz develops a formula for price which incorporates the cost of subcontracting, of production workers, of intermediaries in the global commodity chain and labour productivity[211]. In following the precepts of Gereffi, Heintz goes on to develop

[209] *Ibid.,* p8.
[210] McKendrick, D, Doner, R.F. and Haggard, S. (2000). *From Silicon Valley to Singapore: Location and competitive advantage in the hard disk drive industry.* Stanford: Stanford University Press.
[211] Heintz, James. (2006). Low Wage Manufacturing and Global Commodity Chains: A Model in the Unequal Exchange Tradition. *Cambridge Journal of Economics.* Vol 30*,* p512.

an equation that includes operations such as branding and retail in terms of the commodity price.

Heintz goes on to explain that the decisions of major international companies follow a logic of exporting manufacturing so as to increase profits, market share or both. In quoting John Ermatinger, then president of Levi-Strauss, he illustrates a pattern which is typical of many corporations:

> "Our strategic plan in North America is to focus intensely on brand management, marketing, and product design as a means to meet the casual clothing wants and needs of consumers. Shifting a significant portion of our manufacturing from the US and Canadian markets to contractors throughout the world will give the company greater flexibility to allocate resources and capital to its brands[212]."

Heintz then moves on to integrate his observations and formulae into the unequal exchange tradition. Heintz observes that "if subcontractors and production workers face highly competitive conditions, in the long run they will be unable to capture the direct benefits of technological improvements or productivity enhancements and to raise their standards of living, in terms of either increased profits or higher wages[213]." The gains of the productivity and associated reduced labour costs according to Heintz are the multinational corporations and the final consumers, with producers in global commodity chains falling victim to a "low wage/low productivity trap[214]." From this observation there are two potential conclusions that can be made. Either the workers must develop some means to capture greater value or commodity chains do not offer avenues for development, if development is defined as improving living standards over time for workers.

---

[212] *Ibid.,* p514.
[213] *Ibid.,* p515.
[214] *Ibid.*

The two schools of interpretations of the global commodity chain perspective are best summarized by Schrank who categorizes the two lines of thinking into "orthodox Wallersteinians" and "revisionist Wallersteinians"[215]. The orthodox Wallersteinians view commodity chains as the conduits of periphery-core value transfer leading to entrenched structural divides between the haves and the have-nots[216]. The programmatic implications of such views would be that participation by South countries in global commodity chains will never lead to developmental outcomes whereby 'western' living standards are acquired. The reason for this is that such living standards are the product of exploitation of various factors of the chains themselves.

By contrast revisionist Wallersteinians view commodity chains as possible avenues for development. In such a view the periphery would play the leading role in participating in global commodity chains alongside the building of institutions which would enhance the capture of value either as part of a commodity chain or as the producer of a full package commodity[217]. The two views can be reconciled to some extent in that even the "revisionist Wallersteinians" would agree that until such time as the necessary institutions are built and industrial upgrading occurs in the periphery that the vision of the "orthodox Wallersteinians" is all that will come to pass. In the end, the two schools divide over the possibilities that global commodity chains offer the global South.

Unequal Exchange Theory

The unequal exchange thesis was first published by Arghiri Emmanuel in 1962. His propositions about wages and development took issue with both

[215] Schrank, Andrew. (2004), p124.
[216] Arrighi, Giovanni. (1991). World Income Inequalities and the Future of Socialism. *New Left Review.* I/189. p52. See also: Wallerstein, Immanuel. (1988). Development: Lodestar or Illusion? *Economic and Political Weekly.* Sept 24, pp2017-2023
[217] Bair, J and Gereffi, G. (2001). Local Clusters in Global Chains: The Causes and Consequences of Export Dynamism in Torreon's Blue Jeans Industry. *World Development.* Vol 29, Iss 11, p1900.

neoclassical economics through his critique of comparative advantage specialization and classical Marxism through his position that there was no material basis for solidarity between workers in the underdeveloped countries and those in the developed countries. Emmanuel suggested that workers in the developed countries were indirectly involved in, and the beneficiaries of, the exploitation of the global South. In making this proposition Emmanuel turned the classical Marxist hypothesis on its head.

Emmanuel's approach represents the strongest engagement with and rejection of the previously discussed approaches based on comparative advantage. The essence of Emmanuel's critique can be found in the following quote:

> "...the conventional argument that underdeveloped countries suffer from the implantations of unsuitable—excessively labour-saving—technology is not only a gratuitous assertion...but constitutes an unconscious reinstatement of the basic neo-classical theory of the international division of labour, that of Heckscher-Ohlin, and the crudest rejection of the traditional Marxist position on this issue. For bourgeois doctrine has always taught that each country specializes in those branches, and chooses those techniques within these branches, which make the most use of its most abundant factor—assumed to be also the cheapest one—thus bringing about a maximization of its own output and an optimization of the international division of labour. Marxists have always contended that it is indeed by so doing that free enterprise blocks development in undeveloped—and consequently low wage countries, since it relegates them to the ghetto of labour intensive production techniques (agriculture, light industry, etc), that is, production with the lowest technology and productivity, which, in their turn, keep wages low and reproduce the same conditions[218]*."*

[218] Emmanuel, Arghiri. (1974). Myths of Development versus Myths of Underdevelopment. *New Left Review.* No 85, p62.

Emmanuel's unequal exchange thesis was a response both to the classical and neoclassical economists as well as the lack of serious treatment of foreign trade by Marxists. This theory makes wages the explanatory cause for a country's level of development. Emmanuel begins by confirming the thesis of Marx that it is cost of production that in the end determines price of production, a modified form of the labour theory of value[219].

Emmanuel then makes an important assumption that contradicts both the classical and neoclassical theories, and one that remains relevant, that capital is mobile on a world scale, whereas labour is immobile which undermines the idea of comparative advantage[220]. From this he extends his theory to take into account Marx's socio-historically determined wage within a given nation[221]. With cost of production being the independent variable determining value, it is higher wage levels which make the price of the product from high wage countries greater than the products of the low wage countries and set up the asymmetry of exchange. It is this process which according to Emmanuel creates the structural imbalance between the global North and the global South.

Following this Emmanuel makes a political conclusion about workers in the global North which contradicts a Marxist position that has been the orthodoxy since Marx wrote 'workers of all lands unite'. Having made the connection that Northern workers are benefiting from the exploitation of the workers of the global South, albeit indirectly, he concludes there is no material reason for those workers to have anything in common politically. He suggests that in order to achieve equalization of living conditions between the workers of the global

[219] Emmanuel, Arghiri. (1972). *Unequal Exchange: A Study of the Imperialism of Trade.* Monthly Review Press: London, p.xxxiii
[220] *Ibid.*
[221] *Ibid.*

South with the rest of the world's population, not only would the expropriation of all capitalists be necessary, but that of the northern workers as well[222].

Emmanuel concludes that:

> "…it is no longer a question of the abstract rhetoric of concepts —surplus-value, capital, profit, and so on—but of material consumption. It is therefore the great mass of the population of the advanced countries, the wage-earners themselves, who are implicated…the peoples of the rich countries can consume all those articles to which they are so attached only because other peoples consume very few or even none of them. It is this that breaks solidarity between the working classes of the two groups of countries[223]."

Marxism: The Labour Aristocracy or the Advanced Workers?

Emmanuel's approach raises the issue of divisions within the working class. This subject has arisen previously in debates within Marxism to which I will now turn. Orthodox Marxism suggests that changes in the world economy are leading to a homogenization of the world economy in terms of both economic and political formations. Under this banner fall many early Marxists such as Marx himself in the Communist Manifesto and Luxemburg and her writing on imperialism. By contrast Lenin suggested that imperialism may have had a progressive character initially in that it promoted capitalistic development but that it had reached a state of parasitism and decay which necessitated movements around national self-determination.

For Marx the role of imperialism or colonialism was progressive in nature. Recalling the fact that Marxist theory divided societies into stages of

[222] Emmanuel, A. (1975). Unequal Exchange Revisited. IDS Discussion Paper No. 77, p63.
[223] Emmanuel, A. (1974). Myths of Development versus Myths of Underdevelopment. *New Left Review.* May/June, p79.

development from primitive communism to slave societies, feudalism, capitalism, socialism and finally communism, Marx wrote of colonialism as if the colonizers were bringing erstwhile feudal societies into the capitalist age. An example of this can be found in Marx's writing on India as a British colony in which he suggests, "modern industry…will dissolve the hereditary divisions of labor, upon which rest the Indian castes, those decisive impediments to Indian progress and Indian power[224]."

Marx believed that bringing feudal societies into the 'bourgeois period of history' through the heralding of capitalism was a step closer to communism and that naturally the colonized society would benefit. Marx suggested that this was just one stage in the inevitable progress towards socialism and communism suggesting that:

> "When a great social revolution shall have mastered the results of the bourgeois epoch, the market of the world and the modern powers of production, and subjected them to the common control of the most advanced peoples, then only will human progress cease to resemble that hideous, pagan idol, who would not drink the nectar but from the skulls of the slain[225]."

Out of Marx's observations on colonialism what is clear is that he sees the new working class created by the introduction of capitalism as being in no way differentiated from the working class of the colonizing country. Marx draws this conclusion by making comment on the effect of capitalism in both the colonizing and the colonized country with regard to the workers, suggesting that "Has the bourgeoisie ever done more? Has it ever effected a progress without dragging individuals and people through blood and dirt, through misery and

[224] Marx, Karl. (1853). The Future Results of British Rule in India. *New York Daily Tribune.* August 8.
[225] *Ibid,*

degradation[226]?" From this it can be concluded that Marx initially saw no benefit for the working classes in the colonizing countries out of having colonies and as such that a more global mass of workers was being created out of colonialism.

Marx later changed his position on the subject of differences between workers suggesting that England's position as a global monopoly of production and trade led to a situation whereby "the English proletariat is actually becoming more and more bourgeois, so that this most bourgeois of nations is apparently aiming at the possession of a bourgeois aristocracy and a bourgeois proletariat alongside a bourgeoisie[227]." This position contrasts with his original position and stresses the opening up of a divide between the English workers who would benefit as a direct result of the process of colonization and the extension of monopoly capitalism. This position would be picked up by Lenin in his work on imperialism.

The concept of imperialism was originally used by Lenin to describe the political and economic subordination of nations via the export of capital backed by the state power of imperialist countries[228]. Lenin followed Marx in that his work conveyed a feeling that imperialism would accelerate the development in the colonies leading to a narrowing of the difference between the imperialist power and the colony on an economic level. Lenin suggested that:

> "The export of capital influences and greatly accelerates the development of capitalism in those countries to which it is exported. While, therefore, the export of capital may tend to a certain extent to arrest development in the capital-exporting countries, it can only do so by expanding and deepening the further development of capitalism throughout the world[229]."

---

[226] *Ibid.*
[227] Marx, Karl. (1858). Letter to Engels. In, Worsley, Peter. (2002). *Marx and Marxism.* Routledge: London, p48.
[228] V.I.Lenin. Imperialism: *The Highest Stage of Capitalism.* Selected Works, Vol 1, pp667–766
[229] *Ibid.,*

In this way both Marx and Lenin can be said to be different from the perspectives of both dependency and world systems theory which considered that on a country by country basis that differences would be exaggerated. For Marx and Lenin these cross country differences would narrow thanks to the industrialization that would take place in the colonies. Despite this Lenin also noted that imperialism led to the increased material welfare of the workers in the imperialist country and used the concept of the labour aristocracy to describe such a situation.

According to Lenin the labour aristocracy was formed when profits from colonial investment allowed for higher wages to be paid to workers in the imperialist country. Lenin's initial work on imperialism does not consider the impact of imperialism on the working class in the imperialist countries; however in the preface to the French and German editions of 1920 Lenin first connects imperialism to the creation of a labour aristocracy. Lenin comments that "out of such enormous superprofits (since they are obtained over and above the profits which capitalists squeeze out of the workers of their "own" country) it is possible to bribe the labor leaders and the upper stratum of the labor aristocracy. And the capitalists of the "advanced" countries are bribing them; they bribe them in a thousand different ways, direct and indirect, overt and covert[230]." Lenin initially took the position that only a minority of the working class in the imperialist countries could be bought off in this way[231].

The tension in his writing between the labour aristocracy he has identified and the political conclusion of its existence is obvious in the preface. Firstly Lenin is advancing the concept of the labour aristocracy as a class of workers who are 'bribed' away from political action as a result of higher wages and other benefits. At the same time however Lenin is cautious about concluding that all workers in imperialist countries are part of this labour aristocracy. There is a contradiction

[230] Lenin, V.I. (1970). *Imperialism: The Highest Stage of Capitalism.* Peking: Foreign Languages Press, p9-10.
[231] Lenin, V.I. (1964). *Collected Works.* Vol 31. Progress Publishers: Moscow, p17-118.

between the concept of the labour aristocracy as a bribed class and his idea that "it is *possible to bribe (*emphasis mine*)* the labor leaders and the upper stratum of the labor aristocracy." The labour aristocracy is by his own definition, bribed, and yet in his lifetime Lenin never clarified his position. The result of this was to bury intraworker differences in global capitalism as a subject in Marxist theory until it was finally revisited by Emmanuel[232], who I have previously discussed, and Lin Biao.

By using a guerrilla military metaphor Lin Biao referred to the necessity of the encirclement of the cities of the world (North America and Western Europe) by the rural areas of the world (Africa, Asia and Latin America). He suggested that:

> "the proletarian revolutionary movement has for various reasons been temporarily held back in the North American and West European capitalist countries, while the people's revolutionary movement in Asia, Africa and Latin America has been growing vigorously. In a sense, the contemporary world revolution also presents a picture of the encirclement of cities by the rural areas[233]."

Despite this major strategic observation from a person who was extremely influential within the Chinese Communist Party and thus within institutionalized Marxism in the 20th century, even Lin Biao did not give an explanation as to what the 'various reasons' were that the workers movements in the imperialist countries had stalled. What is obvious from this particular piece of work however was that in his mind the 'rural areas of the world' alone were the locations in which capitalism would be challenged.

---

[232] Emmanuel, Arghiri. (1972).
[233] Lin Biao. *Long Live the Victory of People's War.* Available from: http://www.marxists.org/reference/archive/lin-biao/1965/09/peoples_war/ch07.htm [Online] Last accessed: 31 October 2010.

A contrasting theory of imperialism can be found in the writings of Luxemburg whose theory of imperialism began as a critique of part of Marx's Capital volume two. She raised the question that "in an economy composed only of capitalists (and their parasites) and workers, who would purchase the increase in output of consumer or producer goods which would become available from one period to the next if the stock of capital were to accumulate[234]?" Luxemburg answered this question that "expansion into non-capitalist territories was the only possible solution to this problem, and that imperialism was the necessary result of this tension within capitalism[235]."

The contemporary equivalent of Luxemburg's theory is that of Harvey and his concept of the 'spatial fix[236]'. Harvey also contends that capital must continually go outside of itself to non-capitalist systems in order to resolve the crisis of overproduction[237]. In addition to this Harvey suggests that capitalists also pursue 'accumulation by dispossession' which is an extension to Marx's concept of primitive accumulation[238]. In this form accumulation takes place not through the natural workings of the market as it does under capitalist accumulation, but by the crude seizure of physical and intellectual property. Harvey believes this to be an ongoing feature of capitalism[239].

The critical difference between the approach of Lenin, Emmanuel and Lin Biao and that of Luxemburg is their understanding of the relationship between the class structure in the imperialist countries and that of the colonies. As a proponent of orthodox Marxism, whereby the workers in the advanced countries alone would constitute the motive force for socialist revolution, Luxemburg was

[234] Lee, George. (1971). Rosa Luxemburg and the Impact of Imperialism. *The Economic Journal.* Vol 81, No 324, p847.
[235] Luxemburg, Rosa. (1972). *The Accumulation of Capital – An Anti-Critique.* Monthly Review Press: New York, p350.
[236] Harvey, David. (2006). *The Limits to Capital.* Verso: London, p415.
[237] *Ibid.,* p166.
[238] Harvey, David. (2004). Retrospect on The Limits to Capital. *Antipode*, p548
[239] *Ibid.,* pp548-9.

opposed to anti-colonial nationalism which she considered 'bourgeois[240]'. Luxemburg's vision of the world was one whereby imperialism would expand capitalism to the corners of the globe as per her observations in *Accumulation of Capital.* As capitalism was dependent on an external solution to its crisis, the point of time where capital would run out of non-capitalist world to fuel its expansion would be the point of its inevitable collapse. This would be followed by a socialist revolution led by the workers in the imperialist countries. It is precisely this view of the world that negated the possibility of considering, as Lenin did, that the exploitation of colonies would not only benefit capitalist in the imperialist countries, but workers as well. For Luxemburg, imperialism sustained capital and capitalists alone.

Evidence of Luxemburg's view of the world can be seen in her comments following the Russian revolution. After the Bolsheviks had liberated the former colonies of the Russian empire, Luxemburg was critical of this decision suggesting that the Bolsheviks should have maintained the Russian empire as an area of revolution instead of granting self determination to its former colonies[241]. In hindsight it would be difficult to argue that Luxemburg's line was vindicated by history. Doing so would be to argue against the progressive value of decolonization, a position that would be anathema to the majority in the global South.

Luxemburg's' inability to comprehend the importance of national self-determination fed into her inability to understand the relationship between imperialism, the workers of the imperialist countries and the workers in the colonies. One can argue that in carrying her political line to its logical conclusion, Luxemburg's Marxism was refuted in 1919 when the German 'revolution' failed leading to her death at the hands of her former social-democratic party comrades along with Karl Liebknicht. The subsequent

[240] Luxemburg, Rosa. (1909). The Problem of Nationality and Autonomy. *Przeglad Sozialdemokratyczny.* No 6, pp482-515.
[241] Luxemburg, Rosa. (1961). *The Russian Revolution and Leninism or Marxism.* Ann Arbor: Ann Arbor Paperbacks, p53.

developments in the three decades following her death demonstrated the relationship between German imperialism and the German working class, and the lengths of political mobilization that was possible on the pretext of regaining Germany its place within the world imperialist order.

In contrast to Luxemburg it seems that towards the end of Lenin's life, he was becoming increasingly convinced that the possibilities of socialist revolution were far greater in the colonies than they were in the imperialist countries. Lenin had not only developed a theory of imperialism, but had related this theory to the effect it has on the class structure in the imperialist country. When comparing the approaches of Lenin and Luxemburg, history has shown Lenin to be the more correct with a wave of successful anti-colonial movements in the 20th century and with all successful socialist revolutions subsequent to 1917 occurring in Africa, Asia or Latin America. At the time of writing this thesis, the most successful Marxist or socialist political movements in the world are those in South Asia and Latin America with none present in the former imperialist world.

Conclusion

Having reviewed the major schools of theory which concern the analysis of the features and workings of the global political economy, there are a number of general conclusions can be made in terms of the theories and their usefulness in facilitating the achievement of the objectives of this thesis in the following chapter. Such conclusions will lay out the framework through which the analysis of the global political economy in terms of wages and class structure will be made in the following chapter.

What can be said of all of the approaches is that irrespective of the claims made by the authors and the contemporary popularity of any theory, they are in no sense an absolute science in terms of their explanatory value. What is common

to each and every theory is a set of assumptions, an analytical method and objects of focus which not only determine the kinds of conclusions reached by the deployment of such a theory to explain or understand a given situation, but determine their usefulness in terms of their relevance to a particular project. In terms of the relevance of a particular theory to this thesis therefore, it is possible to rule out theories either based on their technical inadequacy as theories, or because they don't serve the objectives of the thesis or both.

The neoclassical theories of development fail the test as a theory which is relevant for this thesis. As documented in this chapter the theory suffers from numerous technical inadequacies. In addition to this the theory orients an observer of the world economy towards overall levels of economic growth and away from wages per se writing off different wage levels as the result of differences in as the result of a number of apolitical variables ranging from effort to factor supply. Such a theory fails to adequately account for the differences between countries whether between North countries, between South countries or between North and South. The ahistorical nature of the theory makes it inappropriate for an examination on the circumstances in the world economy that produce differences over time. It thus is not useful in terms of providing insight and advice to actors interested in improving workers' conditions, a key objective of this thesis.

The same can be said about modernization theory in terms of its relevance to the current project. Despite including a historical component in the analysis it is a theory rooted in an ideological faith in a teleological future. Since the time of Rostow this has not come to fruition in the majority of the world's countries or for the majority of the world's peoples. In similar style to the neoclassical theories, it orients observers of the world economy towards aggregate levels of growth rather than towards the plight of workers and their wages.

The importance of the Marxist approach is that it emphasizes the role of class and power in terms of understanding workers' conditions. Despite this the propositions which suggest a global working class and a global capitalist class are contradicted by the empirical observations of the previous chapter. The vast divisions between workers arguably rule out the possibility of all workers forming part of a unified class. Amongst these theorists are the orthodox Marxists whose view that each country has a separate bourgeoisie and proletariat does not stand up to scrutiny.

Dependency and World Systems Theory despite providing a more accurate account of uneven development are not entirely suitable for analyses of workers and wages. This is because Dependency and World Systems theories orient observers towards uneven structures in the world economy and how those structures interact. Despite this these perspectives provide some useful insights such as an orientation of the observer towards the global class structure and how alliances between various national classes on an international level can lead to structures of uneven development.

Exceptions come in the form of Emmanuel and through the Global Commodity Chain approach. Emmanuel's approach to dependency theory has wages at the centre. His focus on wages and his consideration that workers in high wage and low wage countries may in fact be on opposite sides of a structural divide will be explored in the next chapter. Informed by the World Systems perspective, the global commodity chain approach also provides a framework within which it is possible to understand the division of labour in global production. This approach will inform case studies in Chapter 5 about the industries which were discussed in Chapter 2.

Chapter 4 – The Politics of Global Labour: Production, Consumption and Class

The previous chapter focused on the possibility of various economic theories as explanations for the differences between workers on a global scale. It was found that it is not possible to understand these differences without reference to politics and power. This chapter focuses on the political and will proceed on the following basis. On a global scale political interactions are alliances and conflicts between various social forces. This chapter seeks to study the political economy of global labour. Given the objective of this thesis to assess the potential for global alliances between workers, this section will focus on global labour and the notion of the working class. While not the only concept, class has been the most important concept used in political economy. Part of this section will involve a discussion about the usefulness of class as a construct to understand the global political economy. Any consideration of the ability of workers to influence the conditions of their labour as well as their outcomes in a political economy will necessarily have a close relationship with the notion of class. Class is the only concept which takes a view of humanity in terms of the function that groups of people perform within an economic system.

A major part of this discussion is the theoretical frameworks through which it is possible to understand class. As this is a global study with a particular focus on differences between workers, this chapter will draw on the work of the previous chapter examining theory in order to develop a framework by which the issue of class relations in the global political economy can be adequately understood. Through a critical evaluation of the concepts of class and the theories that can be used to understand the relationships between various classes in the global political economy, this chapter will make a conclusion on the nature of the differences between workers in the world and the implications this has for global

labour strategy and global politics.

In particular this chapter will attempt to contribute to the debate about the existence of a global working class and who comprises it. It will do so through an examination of both the vertical dimensions of the working class, namely the proletariat and the labour aristocracy, and the horizontal dimensions of the working class, the division between global workers. In doing so this chapter will provide a means by which to categorize and evaluate various labour and social movements worldwide and their effectiveness in terms of providing a challenge to globalized capital.

In relation to this thesis the most important question with regard to class is as to whether class as a construct can be used to explain apparent divisions between workers in the global North and those in the global South. Recalling the discussion of global commodity chains in the previous chapter it was noted that commodity chains involve divisions between various stages of the development of a commodity from design, to production, to marketing and consumption. To this end a discussion of the distinction between productive and unproductive labour is undertaken which will relate to the various activities which take place as part of a commodity chain and will endeavour to understand the divisions that exist between workers.

Capitalism has become increasingly global in its operation, but the key consideration at hand is whether workers can have power to influence capitalism. Wright in describing the potential power of workers suggests that "…exploitation constitutes a social relation which simultaneously pits the interests of one group against another and which requires their ongoing interactions; and second, it confers upon the disadvantaged group a real form of

power with which to challenge the interests of exploiters[242]." Put simply to make profits capitalists need workers as part of the productive process. It is this need that gives workers the potential to exert influence within or against capitalism.

From the position of workers engaged in global production, to apply Wright's logic to an increasingly globalized capitalism is to stress the need for political action beyond the national boundaries of any particular working class. For workers and capitalists alike, globalization was significant because the shackles that bound capital to individual nation states were removed. This process greatly altered the balance of power in favour of the capitalist as against the worker. Critical to Wright's argument about the power the working class has to exert influence is the ability of the working class to control its own labour, the right it has to withhold that labour, or the ability it has to determine the level of exertion in performing that labour[243]. The critical point is that this power was greatly diminished when it became possible for capital to simply shift production to a more favourable location with a more compliant workforce. Capitalists need not shift their investment in response to the threat of workers withholding or decreasing the intensity of labour. Capitalists are also able to shift production simply in search of greater profits.

At the heart of power that capitalists have in a globalized production setting is the discipline that is exerted on the working class through its fractured nature. The potential willingness to withhold or slow down production from one group of workers is nullified by the willingness of another group of workers to fully utilize their productive capacities should the opportunities arise. Far from confronting capitalists and capitalism and attempting to exert influence, the dynamics of global capitalism lead to a situation where workers are far more inclined to accept compromise working longer hours for lower wages in worse conditions.

---

[242] Olin Wright, Erik. (2001). *Foundations of Class Analysis in the Marxist Tradition.* Available from: http://www.ssc.wisc.edu/~wright/Found-c1.PDF [Online] Last accessed: 7 March 2010, p29.
[243] *Ibid.,*

To reverse Wright's view of the power held by the working class in capitalism as a result of exploitative class relations, as much as the capitalist needs the worker within a capitalist society, the worker needs the capitalist in order to meet their material needs. The worker above everything needs to be employed.

If this situation is ever to be altered it is the situation of the workers that will have to change. Global solidarity amongst workers involved in globalized production would be equally significant as it would reassert the bargaining position of the workers. If capitalists lost the ability to force workers to bargain against one another for work, then the dynamics of global capitalism would be entirely changed. The important question that flows from this strategic point is in relation to who would be involved in such a solidaristic relationship. In considering aggregate groups of workers, the most obvious concept around which a basis for solidarity can be formed is the notion of the working class.

In accounts that see workers of the world as a singular whole, what brings the majority of the people in every country together as part of the working class is the wage relation. This position is held by Marx in the Communist Manifesto but equally it is held by numerous modern theorists both Marxist and non-Marxist alike. The Communist Manifesto can be seen as one of the first such theories with Marx and Engels writing of the capitalist age that "National differences and antagonism between people are daily more and more vanishing, owing to the development of the bourgeoisie, to freedom of commerce, to the world market, to uniformity in the mode of production and in the conditions of life corresponding thereto[244]."

Empire by Hardt and Negri is one of the most prominent contemporary examples of such thinking. Hardt and Negri suggest that a qualitative change has occurred within capitalism. Specifically they propose that the prior age of

[244] Marx, Karl and Engels, Friedrich. (1978). *Manifesto of the Communist Party.* Moscow: Foreign Language Publishing House.

rival imperialist powers had been replaced by an era with only one power[245]. As a result of this they consider the world as being divided into two global opposing social forces, the empire and the multitude, with those outside the capitalist class forming the multitude. Commenting on the alignment of global social forces Hardt and Negri suggest "Empire creates a greater potential for revolution than did the modern regimes of power because it presents us, alongside the machine of command, with an alternative: the set of all the exploited and subjugated, a multitude that is directly opposed to empire, with no meditation between them[246]." Though not discussing wages directly, implicit in the approach of Hardt and Negri is the assumption of identity along working class lines. In their eyes therefore the differences between workers either do not exist or are irrelevant to their approach which is centred on a global 'multitude' of immaterial workers.

There are examples of other Marxist theoreticians who end up following a similar line. Summarizing David Harvey's contribution to the *International Network for Urban Research and Action Conference on Possible Urban Worlds*, Rahder suggests that "what is new…since Marx's day is financial deregulation, decreasing transportation costs, new information technologies and a global working class, fragmented by culture and gender[247]."

At the root of the global homogenous working class position is the broadness in definition of what constitutes the 'working class' which I consider a central problem for Marxist analysis both in its national and its global application as it leads an observer to misinterpret the global political economy. To consider the 'working class' or 'proletariat' as any person who simply does not directly own a means of production is at best to greatly reduce the significance and usefulness

[245] Hardt, Michael and Negri, Antonio. (2000). *Empire.* Harvard University Press: London, p9.
[246] *Ibid.,* p393.
[247] Rahder, Barbara. (1998). International Network for Urban Research and Action Conference on Possible Urban Worlds, p1.

of the concept, and at worst be misleading about the nature of the social forces which are being described.

In terms of non-Marxist analysis, Freeman in his essay "The Great Doubling[248]" makes the argument firstly that there is a "global labour pool" which is in competition with each other for the existing amount of capital in the form of investment in wages. He thus describes waged workers as being in an identical situation or as he puts it "on the same economic page[249]." From a Marxist perspective Robinson and Harris take a similar view suggesting "global class formation has involved the accelerated division of the world into a global bourgeoisie and a global proletariat[250]" as a result of globalization.

Robinson and Harris add an additional stipulation in order to define who makes up the global proletariat, that of being involved in the globalized production process. As will be discussed later in this chapter, defining who is actually involved in production is a contestable matter. Further than this there is the issue of who is involved in global production. What is implicit in their analysis is that everyone who isn't being drawn into the global bourgeoisie is being drawn into the global proletariat which in the end leads them to suggest that all waged workers have an objective identity of interest. What is clear from their argument is their stress that everyone involved in the production process is part of the proletariat and everyone who provides the capital for global production is part of the global bourgeoisie.

This position is echoed by Hardt and Negri who suggest that "relative to the level of the advancement of the process of subsumption of labour to capital… [W]e can now say that the concept of wage labourer and the concept of

[248] Freeman, R. (2006). *The Great Doubling*. Available from: http://emlab.berkeley.edu/users/webfac/eichengreen/e183_sp07/great_doub.pdf [Online] Last accessed: 31 October 2010.
[249] Ibid.
[250] Robinson, William and Harris, Jerry. (2000). Towards A Global Ruling Class? Globalization and the Transnational Capitalist Class. *Science and Society.* Vol 64, Iss 1, p17.

productive labourer tend towards homogeneity" with the resulting constitution of "the new social figure of a unified proletariat[251]." To summarize this position Wright comments that: “In short, all moments of the circulation process, and even reproduction, were seen to be productive of value; the distinction between productive and non-productive labour was obliterated[252].”

Writing about the general tendency of Marxist theoreticians towards an unsophisticated definition of class Wright suggests “It is common when people think about variations in the rights and powers over various factors of production to treat these rights and powers as having a simple, binary structure: you either own something or you do not[253].” The origin of such a position comes directly from Marx who himself envisaged the capitalist age as dividing the world into two opposing classes, namely the bourgeoisie and the proletariat[254].

In attempting to define how the proletariat comes into being Marx suggests that “the labourer instead of being in the position to sell commodities in which his labour is incorporated, must be obliged to offer for sale as a commodity that very labour-power, which exists only in his living self[255].” The reason that the labourer is obliged to sell their labour power is, according to Marx, that they do not own means of production. By contrast the bourgeoisie must have means of production as well as the ability to sustain itself while the commodity is produced and its value realized on the marketplace[256].

The question that I raise out of this is one which concerns a consideration of who the bourgeoisie is, and what material circumstances exist that this status

---

[251] Negri, A. (1973). 'Partito Operaio Contro il Lavoro', in S. Bologna et al., eds., *Crisi e Organnizzazione Operaia.* Milan: Feltrinelli.
[252] Wright, Steve. (2002). *Storming Heaven: Class Composition and Struggle in Italian Autonomist Marxism.* London: Pluto Press. Available from: http://www.prole.info/texts/automarx.html [Online] Last accessed: 9 December 2010
[253] Olin Wright, Erik. (2005). *Approaches to Class Analysis.* Electronic Book Library, p12.
[254] Marx, Karl and Engels, Friedrich. (1970). *Manifesto of the Communist Party.* Foreign Languages Press: Peking, p32.
[255] Marx, Karl. (1971). *Capital Volume 1.* ch6. Progress Publishers: Moscow, p107.
[256] *Ibid.,*

might be obtained. A narrow view of the bourgeoisie sees only the class which owns literal means of production, such as factories or capital employed in finance through stocks and bonds. Despite the persistence of this view I am proposing that it be questioned. In Marx's time it is relatively easy to see how one could accept the polarization thesis whereby there were two distinct classes confronting each other, one with all the money and the other with all the labour power. Marx did not and could not have accounted for some factors such as wages that run far beyond a subsistence level which enable the accumulation of capital in the form of land or superannuation and the level of access to credit.

The problem with binary class analysis is that it masks the material differences between workers in different places, instead treating them as a homogenous mass with the same economic circumstances and the same political goals. There is a tendency of thought within orthodox Marxism that every individual country has a bourgeoisie and a proletariat and that the proletariat constitutes the majority of every country's population. An example of this approach is to be found in Buhle who contends that as 80% of the US labour force are 'non-supervisory employees' that as a result the majority of Americans are 'working class'[257]. When the interconnectedness of the global economy is considered the logical outgrowth of such thinking is that there is a global bourgeoisie and a global proletariat, confronting one another as Marx had imagined.

The result of such thinking is that there is no appreciation of the differing material conditions of workers around the world, as well as the differing political formations. Worse still there is a persistent assertion of the identity of interest of workers throughout the world with no evidence that this identity exists or is expressed politically. It is not until this assumption is questioned that it becomes possible to inquire into the nature of the relationship between workers in the global North and the global South. The potential for globalized resistance

[257] Buhle, Paul. (2001). The Myth of the Middle-Class Society. *Monthly Review.* Vol 52, No 10, p53.

to capitalism is often assumed as early as when Marx wrote Capital and suggested that "Labour in a white skin cannot emancipate itself where it is branded in a black skin[258]." Few have dared to question why this might not be the case. While Marx expresses a noble sentiment in this sentence, the vast differences that exist between workers in the global North and those in the global South tend to contradict the notion that workers on either side of this structural divide share common interests or aspirations.

By contrast there are arguments which stress a distinction between productive and unproductive labour as a defining feature of class. Poulantzas argues firstly that not all waged workers form part of the working class just because all members of the working class according to Marx are waged workers[259]. According to Poulantzas the distinction that determines whether or not waged workers are part of the working class or not is that of whether they are involved in productive labour in its Marxist sense. For most Marxists productive labour has nothing to do with the utility or content of the product but simply that the labour in question produces surplus value.

It is on the basis of the productive/unproductive distinction that Poulantzas excludes a number of forms of waged work from the working class. Writing on the circulation sector Poulantzas says "labour…contributing to the realization of surplus value, is not productive labour; wage earners in commerce, advertising, marketing, banking and insurance do not produce surplus value and do not form part of the working class[260]." More broadly Poulantzas disqualifies all services labour in general suggesting that such labour does not produce surplus value. It is the argument of Poulantzas that services involve the exchange between revenue or income and labour power. In the case of services Poulantzas argues that labour power is being purchased in order to consume it directly

[258] Marx, Karl. (1977). *Capital: A Critique of Political Economy. Vol 1.* New York: Vintage Books, p414.
[259] Poulantzas, N. (1975). *Classes in Contemporary Capitalism.* London: NLB, p210.
[260] *Ibid.,*

rather than to consume it in a process that produces surplus value.

I find the position of Poulanztas to be an acceptable one for analysis of the global political economy albeit with some observed limitations. A position which holds that all persons earning a wage form part of the working class is open to perverse conclusions. Football players in the English Premier League for example, were found to earn an average yearly salary of 676,000 pounds per year before bonuses[261]. While this is an extreme example the point that it illustrates is that the wage relation alone is insufficient to determine someone's class position. It seems unreasonable to not take account for the fact that wages which supersede subsistence consumption and allow for the accumulation of large sums of money would have some impact on the class character of the recipient of those wages. As such it seems necessary to take account of this factor.

Contrary to the position of Poulantzas however there are some forms of what are termed "services" which actually produce commodities which are enduring in nature, such as intellectual property. This does not discount the fact that the majority of occupations classified under the services sector are those which do not produce surplus value. A more accurate way of characterizing the division between productive and unproductive labour is by establishing a dividing line between labour that is both productive of capital and productive of surplus value as the defining feature of whether a labourer constitutes part of the working class. An approach that attempts to invalidate the difference between productive and unproductive work fails to grasp the reality that in general unproductive work is only possible because of the material base created by productive work.

[261] Harris, Nick. (2006). *£676,000: The average salary of a Premiership footballer in 2006*. *The Independent* (London). Available from: http://www.independent.co.uk/sport/football/news-and-comment/163676000-the-average-salary-of-a-premiership-footballer-in-2006-473659.html. [Online] Last accessed: 31 October 2010.

Prior to an analysis of the relationship between various workers it seems that the question of the production boundary is one that has to be settled. What labour counts as creating value is a seemingly innocuous but central element which is still the subject of a great deal of debate. The following section will review competing perspectives on the question of the production boundary and draw links between these differing views and the logical consequences these have for analyses in political economy and also for global labour strategy.

The Orthodoxy:

At the time of writing this chapter, the orthodox definition of the production boundary is that entailed in the 1993 United Nations System of National Accounts (SNA)[262]. The SNA defines the production boundary as:

> (a) The production of all individual or collective goods or services that are supplied to units other than their producers, or intended to be so supplied, including the production of goods or services used up in the process of producing such goods or services;
>
> (b) the own-account production of all goods that are retained by their producers for their own final consumption or gross capital formation;
>
> (c) the own-account production of housing services by owner-occupiers and of domestic and personal services produced by employing paid domestic staff.

It is not my intention to become involved in a discussion about the various international metrics with which productivity is measured. My reasoning behind

[262] United Nations Statistics Division. (1993). *The Production Account.* Available from: http://unstats.un.org/unsd/sna1993/tocLev8.asp?L1=6&L2=2 [Online] Last accessed: 31 October 2010.

citing the UN SNA is that it is indicative of a particular view of what is productive labour. In comparison with views to be later analyzed this view of productive labour is a broad view[263] as it suggests that every socially necessary activity aside from personal consumption adds value to an economy. A view of production which encapsulates all goods produced and services provided for a party other than the producer, implies that every good or service which incurs a transaction is therefore productive. This makes a net contribution to the total wealth of an economy and as such that labour has in part caused this expansion of wealth. By contrast to this classical political economy had always maintained a distinction between activity that was productive and non-productive, and this position was one that represented "the mainstream of economic thought for almost a century[264]."

The initial shift away from this view and towards the view that all socially necessary activities are productive activities coincides with the initial rise of neoclassical economics[265]. Such a view judges whether an activity is productive by whether or not someone is willing to pay for that activity to take place[266]. Eisner for example states that "the basic criterion used for distinguishing an activity as economic production is whether it is reflected in the sales and purchase transactions of a market economy[267]." In developing National Accounting measures immediately before and during the Second World War, Keynes and economists of his ilk merely aggregated these prices on a national scale[268]. In doing so they did not question the received wisdom from

[263] Studenski, P. (1958). *The Income of Nations*. New York University Press: New York, p12.
[264] Kendrick, J. (1970). A Brief History of National Income Accounts, in Sills, D (ed.) *The International Encyclopedia of the Social Sciences,* Vol II. New York: National Bureau of Economic Research, p20.
[265] Bach, G. (1966). *Economics: An Introduction to Analysis and Policy.* New York: Prentice-Hall, p45.
[266] *Ibid.*
[267] Eisner, R. (1988). Extended Accounts for National Income and Product. *Journal of Economic Literature.* Vol 26, p1612.
[268] Korzeniewicz, Roberto., Stach, Angela., Patil, Vrushali., and Moran, Timothy. (2004). Measuring National Income: A Critical Assessment. *Comparative Studies in Society and History.* Vol 46, Iss 3, p540.

neoclassical economics about the basis by which an economic activity becomes classed as productive or non-productive[269].

There is considerable Marxist literature which has criticized the notion that all factors in a political economy also produce value including Gerdes[270], Benetti[271], and Benetti, Berthomieu and Cartelier[272]. Harvey summarizes these criticisms and suggests that the view that all activities in a political economy produce value amounts for an apology for the existing distributional state of affairs. If each factor involved in production is only getting what it creates then the status quo is justified, exploitation is not occurring, and class struggle or government intervention should be limited to that which ensures that fair competition takes place within a market framework[273].

In that this thesis has a focus on the politics of global labour I will attempt to argue against the position that all factors create value, even to the extent of arguing against a position that all labour creates value. By extension I will demonstrate that distribution of value between factors amounts to the exploitation of those factors that produce value with the non-productive sectors being the beneficiaries of this exploitation. This will lay the groundwork for an empirical analysis of some commodity chains in various industries, which will enable me to illustrate the applicability of this theory.

There are a number of views both historic and contemporary which make a clear distinction between productive and unproductive labour. These positions are important as they provide analytical alternatives which may improve our

[269] Shaikh, Anwar and Tonak, Ahmet. (1996). *Measuring the Wealth of Nations.* Cambridge University Press: New York, p4.
[270] Gerdes, C. (1977). The Fundamental Contradiction in the Neoclassical Theory of Income Distribution. *Review of Radical Political Economics.* Vol 9, No 2, pp39-64.
[271] Benetti, C. (1976). *Valeur et repartition.* Grenoble.
[272] Benetti, C., Berthomieu, C. and Cartelier, J. (1975). *Economie classique economie vulgaire*. Grenoble.
[273] Harvey, David. (2006), p41.

understanding of the global political economy and/or contribute to different or improved views about global labour strategy.

The first political economist whose work I will address is Adam Smith who in making a distinction between productive and unproductive labour wrote:

> "There is one sort of labour which adds to the value of the subject upon which it is bestowed; there is another which has no such effect. The former, as it produces a value, may be called productive; the latter, unproductive labour. Thus the labour of a manufacturer adds, generally, to the value of the materials, which he works upon, that of his own maintenance and of his master's profit. The labour of a menial servant, on the contrary, adds to the value of nothing…A man grows rich by employing a multitude of manufacturers; he grows poor by maintaining a multitude of menial servants. The labour of the latter, however, has its value, and deserves its reward as well[274]"

In the final sentence of this quote Smith is referring to the wage relation between the servant and the master. Though the wage relation is the same as that of the manufacturer, Smith's observation is that while the manufacturer expands the total amount of capital despite being paid a wage the servant reduces the total amount of capital. Smith makes an explicit distinction between the production of tangible commodities and the provision of services and goes on to suggest that the production of commodities is productive labour, whereas the provision of services is unproductive labour. This position leads Smith to be criticized by those who view all forms of labour as productive such as McKenzie of the US Libertarian think tank the Cato institute who claims that: "As many modern commentators have, Smith suggested that both "productive" workers (who generally seem to fit the description of goods workers) and "unproductive"

[274] Smith, Adam. (2009). An Inquiry into the Nature and Causes of the Wealth of Nations. Digireads.com Publishing, p196.

workers (who generally seem to fit the description of service workers) must be maintained by the "annual produce of land and labour of the country[275]."

He goes on to suggest that “Smith failed to recognize that services are as valuable to consumers as the goods they buy, that services are often just as much goods as "manufactured goods" are, and that services facilitate the production of both goods and other services[276].” By contrast Smith stresses that commodities must be physical in order to satisfy his definition of productive activity suggesting:

> "But the labour of the manufacturer fixes and realizes itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past. It is, as it were, a certain quantity of labour stocked and stored up to be employed, if necessary, upon some other occasion. That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it[277]."

Here Smith takes his distinction between productive and unproductive labour a step further by defining productive labour as only that which produces a tangible, durable and vendible commodity. In relation to this Savran and Tonak suggest that Smith is actually confusing two different factors in the provision of services and how they may or may not be forms of productive labour. Firstly they raise the idea that a wealthy person may employ for instance, a personal tailor, a worker who clearly produces physical goods. This person does not create commodities for sale and therefore does not expand capital and as will

[275] McKenzie, Richard. (1987). The Emergence of the Service Economy: Fact or Artifact? *Cato Policy Analysis.* No 93. Available from: http://www.cato.org/pubs/pas/pa093.html [Online] Last accessed: 31 October 2010.
[276] *Ibid.*
[277] Smith, Adam. (2009), p197 . .

be demonstrated later their labour is not productive[278]. Secondly they raise a situation whereby persons are capitalistically employed in order to produce services in which case they are producing a commodity for sale, even if that commodity is immediately consumed by the purchaser of that commodity[279]. As will be demonstrated later in this section, such persons perform productive labour.

In contrast to Smith and the classical economists, the distinction between productive and unproductive labour for Marx is embedded in his analysis of surplus value. Marx's argument about surplus value is centred on the distinction between labour (the actual work of a worker) and labour power (the ability for a given worker to work) and also on the historical specificity of capitalism as a mode of production whereby commodities are produced for their value in exchange as opposed to being produced for immediate consumption.

For Marx the concept of surplus value illustrates a process by which the labourer exchanges his labour power for a wage which maintains this labour power. The labourer then goes on to produce with his labour by manipulating instruments of production and raw materials, a use value in the form of a commodity, which has an exchange value which is greater than that paid for maintenance of his labour power. It is thus that the capitalist who invests in the process of production is able to convert this surplus value into profit by exchanging commodities produced by the labourer into money. The above process can be expressed as follows:

M – C (LP+MP)…P…C' – M'[280]

[278] Savran, Sungur and Tonak, Ahmet. (1999). Productive and Unproductive Labour: An Attempt at Clarification and Classification. *Capital and Class.* Vol 68, p136.
[279] *Ibid.*
[280] Harvey, David. (2006), p69. .

M (Money) is used to purchase C (commodities) in the form of MP (means of production) and LP (labour power). The productive process then occurs (P) which creates a new commodity (C') which is then sold for a greater sum of money than the initial outlay (M'). The difference between M' and M constitutes surplus value. The most important feature of this process is that the source of this surplus value is labour. In Marx's words "the value of labour power and the value which that labour power creates in the labour process, are two entirely different magnitudes[281]'. It is based on this productive process that Marx arrives at his definition of who is a productive labourer:

> "That labourer alone is productive, who produces surplus-value for the capitalist, and thus works for the self-expansion of capital. If we may take an example from outside the sphere of production of material objects, a school teacher is a productive labourer, when, in addition to belabouring the heads of their scholars, they work like a horse to enrich the school proprietor. That the latter has laid out their capital in a teaching factory, instead of in a sausage factory, does not alter the relation. Hence the notion of a productive labourer implies not merely a relation between work and useful effect, between labourer and product of labour, but also a specific, social relation of production, a relation that has sprung up historically and stamps the labourer as the direct means of creating surplus-value. To be a productive labourer is, therefore, not a piece of luck, but a misfortune[282]."

The underlying reason that Marx's definition of productive labour is somewhat more expansive than that of Smith and the classical economists is due to his definition of the commodity. Marx's view of commodities includes some

[281] Marx, Karl. (2010). *Capital: A Critique of Political Economy, Volume One. Available from:* http://www.marxists.org/archive/marx/works/1867-c1/ch07.htm [Online] Last accessed: 31 October 2010.
[282] *Ibid.*

services as well as physical goods. In capital volume 1 Marx defines a commodity as:

> "An object outside us, a thing that by its properties satisfies human wants of some sort or another. The nature of such wants, whether, for instance, they spring from the stomach or from fancy, makes no difference. Neither are we here concerned to know how the object satisfies these wants, whether directly as means of subsistence, or indirectly as means of production[283]."

Marx's concept of production, in going beyond the purely physical, is able to incorporate more possibilities than Smith's.

To compare Marx's idea of a commodity as a thing which satisfies a human want, to Smith's idea of a commodity as a durable, tangible and vendible object is to illustrate the difference between the two approaches. Smith's definition of a commodity is narrower, excluding anything that is not physical in nature. In considering something such as intellectual property, if Smith's approach was followed to its logical conclusion he would necessarily conclude that intellectual property is not a commodity as it is not tangible. Marx's idea of a commodity on the other hand is able to accommodate non-tangibles as commodities and is thus the more expansive of the two approaches. Smith's narrower idea of what a commodity is leads to a narrower idea of what productive labour is, and the converse is true for Marx who's only real criteria for whether an activity falls under productive labour or not is that an activity satisfies a human need or want and valorizes capital. A distinguishing feature of Marx's idea of productive labour is that owing to his view that productive labour creates surplus value, it is specific to capitalism.

[283] *Ibid.*

At this point it is useful to more closely examine the concept of productive labour and its relationship to capitalism so as to avoid future misunderstandings about the types of labour that are productive and unproductive. Savran and Tonak first use the concept of 'productive in general' to define those forms of labour that are productive irrespective of whether they take place in capitalist societies or non-capitalist societies[284]. They see an understanding of labour that is productive in general to be important to the understanding of labour that is productive of capital suggesting that "because insufficient attention has been paid to a general definition of productive labour under all socio-economic formations that all economic activities under capitalism itself have come to be instinctively regarded as productive labour[285]."

Savran and Tonak[286] set out the forms of economic activity which must be carried out in every society so as to "assure biological and social reproduction of the members of society and of the socio-economic formation itself[287]." They make a distinction between five spheres of human activity which lead to the biological and social reproduction mentioned above. Those spheres include production, circulation, distribution, reproduction of the social order and social and personal consumption. The initial four concepts were developed by Marx in his Grundrisse[288] with the fifth being developed by Shaikh[289] so as to distinguish between consumption which leads directly to production and consumption proper[290]. As the issue in question is to establish what labour is productive, the first step is to examine each of these spheres and establish firstly if they involve labour at all and secondly if they involve productive labour. Through this

[284] Savran, Sungur and Tonak, Ahmet. (1999), p120.
[285] *Ibid.,*
[286] *Ibid.,*
[287] Savran, Sungur and Tonak, Ahmet. (1999), p121
[288] Marx, Karl. (1973). *Grundrisse.* Penguin: Hammondsworth, pp88-100.
[289] Shaikh, Anwar. (1980). *Towards a Critique of the Keynesian Theory of the State.* In, Savran, Sungur and Tonak, Ahmet. (1999). Productive and Unproductive Labour: An Attempt at Clarification and Classification. *Capital and Class.* Vol 68, p148.
[290] *Ibid.,* p148.

process of elimination it is possible to establish what labour is productive in general.

Firstly it is possible to eliminate personal and social consumption as it is an activity that does not involve labour. As Savran and Tonak observe consumption "is an activity common to all living species and does not involve labour which is the differentia specifica of the human race[291]." Productive labour is a subset of labour in general. If consumption does not involve any labour then it follows that consumption does not involve productive labour. Incidentally Savran and Tonak make an explicit point about the role of activities such as housework, stating that in contrast to being defined as part of consumption as per neoclassical economics[292] household work "is not a consumption activity but a necessary element of the production of the material to be consumed[293]." As such household work comes under the heading of 'productive in general'.

With regard to distribution of the product, Savran and Tonak see this as the outcome of the relations of production in any given society. An example of this in a capitalist society would be when a capitalist awards a wage to a labourer. It is important to note that distribution of the product is in no way specific to capitalism, as for instance in a slave society when a slave is fed by its master the product is being distributed. As Savran and Tonak note, distribution of the product is "predicated on the expenditure of labour on the part of the direct producers but is not itself an act which involves labour[294]." As it does not involve labour, it is not productive in general, and therefore cannot be productive of capital.

---

[291] *Ibid.,* p121.
[292] Jefferson, Therese and King, John. (2001). *Never Intended to be a Theory About Everything: Domestic Labour In Neoclassical & Marxian Economics.* Discussion Paper Number 17. Available from: http://www.business.curtin.edu.au/files/WEPAU_DP-17_August_2001.pdf [Online] Last accessed: 31 October 2010, p5.
[293] Savran, Sungur and Tonak, Ahmet. (1999), p148. .
[294] *Ibid.,* p121.

When it comes to circulation as well as reproduction of the social order the picture becomes more complicated. Circulation, which can be defined as the "sphere of the various metamorphoses between the commodity-form and the money-form[295]", is not specific to capitalist society. Despite this, the circulation sphere takes on specific importance within capitalist society as production shifts more to commodities for exchange rather than for use values that are immediately consumed. What differentiates the circulation sphere from the previously discussed consumption and distribution spheres is that at least in some cases labour is taking place[296]. An example of this in capitalist society can be seen in a retail sector worker (assists in turning commodities into money) or a purchasing manager (assists in turning money into commodities). Labour is not necessarily performed however, nor is this sphere unique to capitalist societies and an example of this is in the form of a merchant who predates capitalism and performs no labour. In similar fashion the sphere involved with reproduction of the social order can involve labour. Examples of this come in the form of public servants, soldiers and police officers. While these are examples of labour within the sphere of reproduction of the social order there are also examples where labour is not performed such as religious leaders[297].

Leaving aside the circulation and reproduction of the social order sector activities in which labour is not performed, the question to answer is whether or not those actually performing labour in these sectors are productive in general. The answer according to Savran and Tonak is in the negative and the reasoning behind this can be shown by comparing and contrasting these forms of labour with those in the production sphere. What sets apart workers in the production sphere is that they are "involved with the creation of use values…through the

[295] *Ibid.,*
[296] Savran, Sungur and Tonak, Ahmet. (1999), p122..
[297] *Ibid.,*

transformation of nature[298]." By comparison those involved in circulation or reproduction of the social order "carry out, within the context of a given social division of labour…tasks which flow from a historically determined set of socio-economic relations among human beings[299]." As such labour in both the circulation and reproduction of the social order spheres are considered to be unproductive labour.

The next level of sophistication is that which considers labour specifically within capitalism. The importance of productive labour specifically within capitalism was recognized by Marx who observed that "since the immediate purposes and the authentic product of capitalist production is surplus value, labour is only productive, and an exponent of labour power is only a productive worker, if it or he creates surplus value directly, i.e. the only productive labour is that which is directly consumed in the course of production for the valorization of capital[300]."

The above position expressed by Marx enables a clearer explication of labour that is productive of capital, as opposed to labour that is productive in general. Firstly, as mentioned by Savran and Tonak, "the labour of self-sufficient peasant households and domestic household labour is not productive of capital[301]" as capitalist production is based around the production of surplus value, embedded in commodities. In addition to this are petty commodity producers who equally cannot be regarded as capitalistically productive as petty commodity producers own small means of production and sell products rather than labour power.

In addition to productive workers who are not productive of capital fall workers who are productive and yet are a form of wage labour paid out of revenue. An

[298] *Ibid.,*
[299] *Ibid.,*
[300] Marx, Karl. (1976). Results of the Immediate Process of Production, published as an appendix in *Capital.* Vol 1. Penguin: Harmondsworth, p1938.
[301] Savran, Sungur and Tonak, Ahmet. (1999), p125.

example of such workers could include a nanny or a butler. Such workers sell their labour power however they do not create surplus value. While Savran and Tonak suggest that such workers are employed by capitalists[302] it is also possible to understand these workers to be employed as a result of the surplus of other workers who have earned more than what is required for subsistence and who choose to purchase such services. It is this example which corresponds most closely to the criticisms of services I mentioned earlier from classical political economists such as Smith in that revenue consumed by purchasing services is revenue not only not utilized in the process of production, but revenue wasted as it consumes potential capital rather than expanding capital.

To review this analysis of productive and unproductive labour and particularly labour that is productive of capital, it is useful to recall the cycle of capital.

M–C…P…C'–M'

The effect of the above analysis is to suggest that only at the stage where the initial commodities are consumed through the process of production (C…P…C') is labour productive of capital. The mere exchange of money into commodities (M-C) or commodities into money (C'-M'), however necessary it may be, is not productive of capital nor is the use of M' to purchase personal services.

The above analysis carries with it an important implication for the other 'spheres' and one that cuts to the essence of Marxist theory. At the core of the Marxist conception of capitalism is the wage labourer who confronts the capitalist with nothing to sell but his labour power. The capitalist purchases the labour power from the labourer and the labourer performs labour. Through the process of

[302] *Ibid.,* p127.

production the labourer creates value equal to cost of the labour power. In addition to this the labourer creates surplus value which the capitalist then uses to expand capital.

The non-productive spheres described by Savran and Tonak introduce a new layer of complexity into our understanding of capitalism. Labourers are confronting capitalists with labour power and yet they are being employed by capitalists despite not producing surplus value. This raises two important questions. Firstly if the labour of these labourers is not a source of value then why does the capitalist employ them at all? Secondly if the labour of these labourers does not produce any value, where does the value which is exchanged for their labour power come from?

In the first instance the answer is that the capitalist must realize the value of a commodity through sale and under the prevailing historical conditions which involves an additional layer of labour above production. As noted by Harvey, capital is a process of accumulation and ceases to be capital if it is not circulating[303]. As a result of this it becomes necessary for capital to employ wage labour in the sphere of circulation. The social and historical necessity to bring a commodity that has been produced and turn it into money however, does not make this labour productive. The capitalist merely trades off the loss in value necessitated by the employment of an unproductive worker as against the greater loss in that a commodity would not be sold and in doing so realizes the surplus value created through the initial production of the commodity.

If the premise is accepted that the circulation worker produces no value and only realizes surplus value through the sale of commodities, the question then becomes one of where the value comes from that remunerates this worker. As

[303] Harvey, David. (2006), p84.

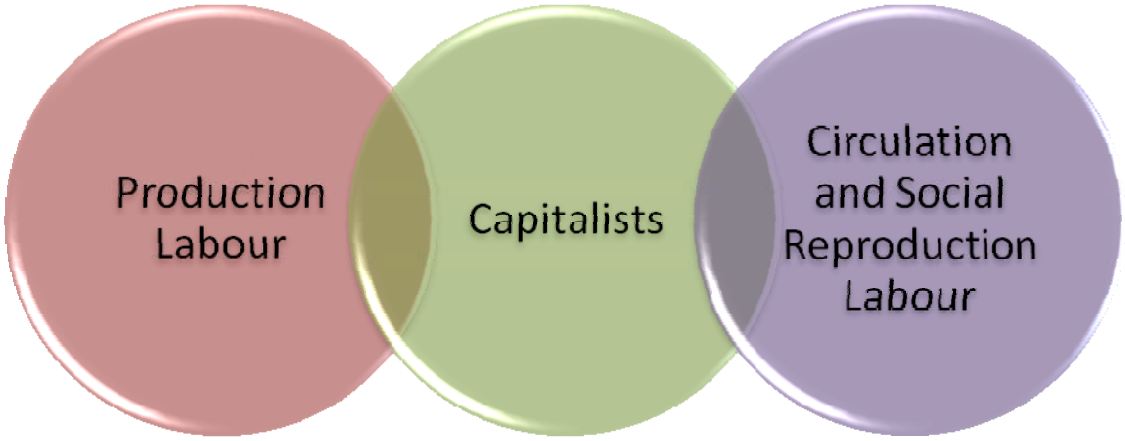
established in previous chapters, only labour that is productive of capital creates surplus value. The answer therefore is that the circulation worker is paid out of the surplus value which is extracted in the process of commodity production.

In a similar way workers involved with the reproduction of the social order are paid out of the surplus value extracted in the process of commodity production. This process is somewhat more complicated than that involved in the circulation sphere as the value required to sustain this sphere is acquired primarily through the collection of taxes. In terms of the taxes appropriated from capitalists and workers in the circulation sphere, this value is surplus value extracted from the production sector to begin with. The more complicated question is in terms of income tax extracted from the production sector worker as in many cases income tax appropriated goes into programmatic spending which directly benefits the production workers themselves making it difficult to conceive of such a situation as a form of exploitation. Despite the desirability, or even necessity of such a situation, it follows that if productive labour is the sole source of value and that the sphere involved with the reproduction of the social order creates no value of its own, then this sphere exists due to the extraction of value from the production sphere.

What follows from this is that as a whole both circulation labourers and social reproduction labourers have a stake in the maximization of surplus value extraction from the production sphere. The upper limit at which labourers in these spheres can bargain for better wages is determined by the amount of surplus value extracted from the production sphere. Following this extraction the labourers in these spheres are able to test their strength against their employer to see how much of the extracted surplus they are able to gain, however initially there must first be a surplus to fight over before there can be a fight. The following Venn diagram provides a pictorial representation of the political economy of the distribution of value, although one that is not to scale.

Production labourers have an interest in minimizing the amount of surplus value extracted by capital. In doing so they directly challenge the amount of value that is able to be accumulated as capital but also the amount of value that can be distributed to the circulation and social reproduction sectors. By contrast capitalists as a sphere have an interest in maximizing the amount of value extracted from the production sphere but also minimizing the amount of value they must spend on circulation and social reproduction. Finally circulation and social reproduction workers have an interest in maximizing the amount of surplus value extracted from the production sphere but then minimizing the amount of value that returns to capital by maximizing their wage share. The relationship between the three spheres is expressed in figure 1.

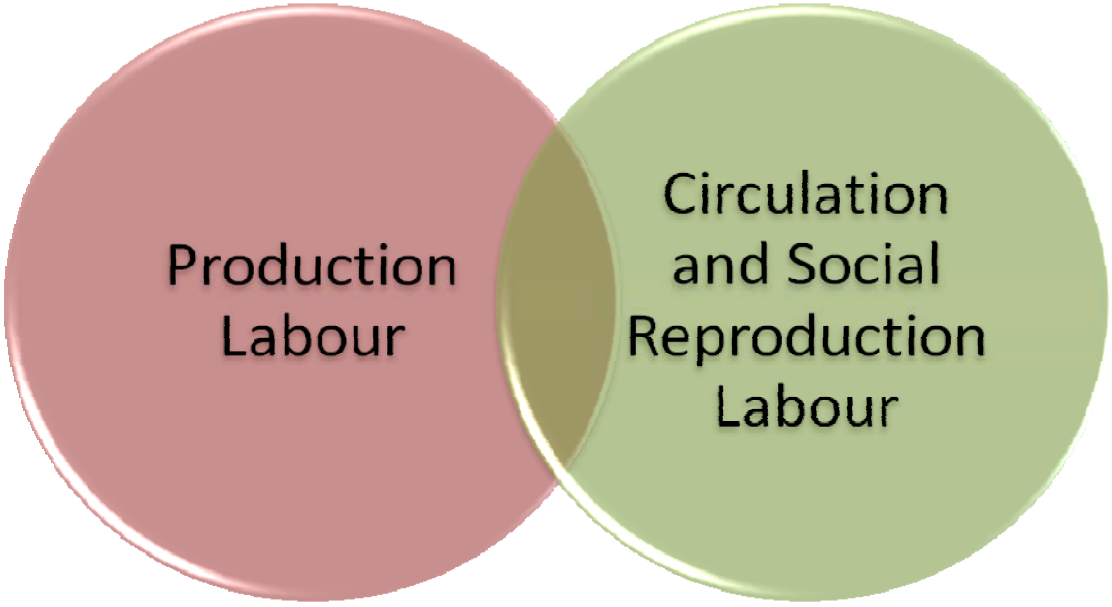
Figure 1 – Distribution of value between spheres



It is theoretically possible to imagine a situation whereby the middle circle for 'capitalists' does not exist such as if all companies were under a form of

socialized ownership with all profits to be distributed in the form of wages without any expansion to the capital base as depicted in figure 2. Such an illustration draws out the contradiction between the circulation/social reproduction spheres and the production sphere. What is evident is that the less surplus value extracted from the production sphere, the less value is available to compensate the circulation and social reproduction spheres.

Figure 2 – Hypothetical Distribution of Value between Spheres if no Capitalist Sphere



In summary Table 8 lists the various types of labour discussed in this section and the source of the value that compensates that labour.

Table 8: Type of labour and source of the value compensating labour power	
Type of Labour	Source of Value
Capitalistically Employed Production Labour	Reproduces its own value through "necessary labour time" then produces surplus value
Household Labour/Subsistence Labour	Reproduces its own value, as no commodities are produced, cannot produce surplus value
Petty Commodity Producers	Not capitalistically employed and thus cannot produce surplus value, may reproduce or exceed own labour power value with product
Circulation Labour	Compensated out of surplus value extracted from production sphere
Social Maintenance Labour	Compensated out of surplus value extracted from production sphere

To conclude this analysis is to say that all non-productive labour as well as capital accumulation is made possible through the productive labour that takes place in the sphere of production and the exploitation of productive labourers. This position carries a number of important conclusions. Firstly the productivity of labourers in the productive sphere is underrepresented by the SNA as within the prices that are credited as the result of non-production labour is hidden value from the productive sectors. In terms of national accounting the macro implication of this is that countries with larger sectors involved in capitalist production have their economic performance underreported.

The extension from this is that countries with production sectors which produce goods for export are actually exporting surplus value with that surplus value being hidden in the prices of intermediate as opposed to final sale. This effectively hides the value that was produced by the production sector by making the claim that the value was somehow generated in circulation.

What this means is that there is a material basis for a contradiction between the productive sector workers who are involved with the creation of value and the workers associated with social consumption either in the form of circulation or of social maintenance, whose work and whose wages are paid out of the surplus value produced by the productive labourers. This is because a reduction in the rate of surplus value, an increase in the productive sector wage share, would necessarily lead to a decrease in the share afforded to the other spheres of labour as well as the share to capital. Capitalists as a social class therefore, share a temporary identity of interest with the workers involved in social consumption to maximize the exploitation of productive labourers. This remains the case even if the social consumption workers are involved with a separate divergence of interest with the capitalists who employ them and an ensuing conflict over the distribution of surplus value that has been created through the process of production. It is this structural contradiction that acts as a disincentive to acts of solidarity between workers of the global North and workers of the global South, but also between production and consumption workers as a whole. In Marxist terms this means that the capitalists, the productive workers and the social consumption workers may each independently be classes in themselves.

In testing the theory that there is a contradiction between production and non-production workers, it is necessary to closely examine the general characteristics of certain kinds of work. In making a distinction between

production (production) and non-production (distribution and social maintenance) workers, Shaikh and Tonak create a space for a deeper analysis of the characteristics of various types of labour by providing concepts to be employed in analysis. It then becomes desirable to examine the various kinds of labour, production, distribution and social maintenance and to see if the material differences between these kinds of labour are the basis of a contradiction.

As explained earlier, in this paradigm, production is defined as: "the creation or transformation of objects of social use by purposeful human activity[304]." This definition of production encompasses all manufacturing, but also some services such as "transportation, entertainment, lodging, cooking[305]" and others. The key criterion by which an activity is judged as productive is whether or not the activity in question creates a commodity and whether or not it valorizes capital. An activity can stop being productive if it ceases to do either of these, such as if somebody labours in order to create an object for their own personal consumption or if a worker labours as a personal servant and is paid out of revenue such as a personal cook employed by a capitalist for the purposes of creating meals for the capitalist.

In consideration of the politics of global wages it is firstly important to examine the conditions by which commodity production takes place in the global political economy, as well as a deeper examination of capitalist production. Large sectors of capitalist production are persistently moving to the global South. As demonstrated in the first chapter of this thesis, one of the reasons for this global shift in production is that production workers in the global South, generally speaking, when brought into the capitalist production process produce the highest amount of absolute surplus value (longest working days) and relative

[304] Shaikh, Anwar and Tonak, E. (2007). *Measuring the Wealth of Nations: The Political Economy of National Accounts.* Cambridge University Press: Cambridge, p22.
[305] *Ibid.,* p40.

surplus value (low cost of living/wages per unit of production). Even in cases where a worker from the global North may be more productive, the absolute costs of wages are lower in the global South. In a global political economy where capital can move with relative freedom, the logic of capitalist production is one where all production moves to the locations where maximum surplus and eventually (through a process of realization) maximum profit can be extracted through longer work days where the cost of labour power (wages) is low.

In contrast to this let us consider activities which according to the paradigm of Shaikh and Tonak are related to social consumption. In describing forms of labour which consume wealth as opposed to producing it, Shaikh and Tonak observe that the types of labour that lead to consumption are those that "in their performance they use up a portion of existing wealth without directly resulting in the creation of new wealth[306]." Whereas production labour valorizes capital, consumption labour devalorizes capital.

With the various spheres of labour defined, the question becomes that of what relevance such an argument has in terms of analysis of the global political economy. Even if one accepts that the circulation and social reproduction spheres do not produce value and rather appropriate a part of the value produced through productive labour, the question may be raised as to why we should be concerned with these spheres of labour at all.

It is my argument that these spheres of labour become interesting as an issue within the global political economy when these spheres come to dominate the capitalist sector of any particular political entity, when the majority of the capitalist sector of any political economy is involved with distribution, circulation and/or social maintenance. It is at this point which I advance the twin and

[306] *Ibid.,* p25.

interrelated concepts the production economy and the consumption economy to act as typologies of national political economies within the global political economy. A production economy includes those countries whereby the majority of the capitalistically employed labour force is involved in the sphere of production. By contrast a consumption economy includes those economies where the majority of the capitalistically employed labour force is involved in social consumption whether it is distribution or social maintenance.

A discussion such as this raises two related questions in terms of understanding the global political economy, and in particular how to understand specific countries within the global political economy. Firstly in relation to the treatment of countries with large levels of population (even a majority of the population) involved in subsistence production and secondly the treatment of countries with a large state sectors relative to countries with a small state sector.

In terms of countries with a large part of the workforce employed in subsistence production, the answer is that by virtue of being subsistence producers these persons have no impacts on the capitalist sphere of production. Typically subsistence producers create sufficient use values to sustain their existence without an increase or decrease in their standard of living as implied by the term subsistence. According to the view of productive labour described earlier by Savran and Tonak, subsistence labourers are productive in general as they produce use values but they are not productive of capital as they do not produce surplus value. As they neither produce nor consume surplus value, subsistence producers typically have no impact on the global political economy in a purely distributional sense.

With regard to state employees the real question again relates to that of commodity production. As Savran and Tonak note, “the secular expansion of

the state sector[307]" has meant that in many cases the state takes responsibility for a variety of activities under capitalism, and thus state employees become a significant subject of focus. What is also noted is that the fact that an activity occurs under the auspices of the state says nothing about whether that activity is productive or not. State activities, it is argued, can be grouped under three main headings: those involved in reproduction of the social order, those that provide social services those involved with either fully or partially state owned corporations and those that provide social services[308]. In the case of the first two it is clear that reproduction of the social order is not productive in general. As no commodities are created no surplus value can be produced. By contrast in the case of the state owned corporations, these are capitalist firms which are managed by the state meaning if employees of these firms produce commodities they are also producing surplus value and are productive of capital.

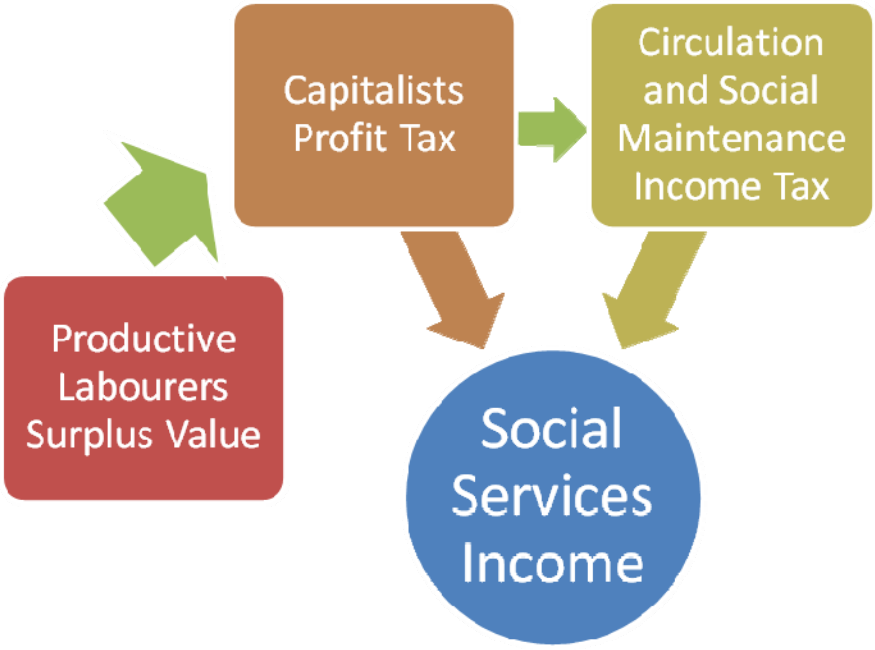
The more complicated case comes in the form of the provision of social services. There are some social services such as healthcare or education which create new use values. Savran and Tonak suggest that whether or not these commodities are on the market determine whether or not they are productive or unproductive[309]. With regard to this I feel that Savran and Tonak are contradicting their earlier position that only that labour which is productive in general can be productive of capital. If social services can be a commodity on the capitalist market place, by extension this means the work of social services workers is productive labour. If these commodities are taken off the capitalist market all that can be said is that they are not productive of capital, not that they are unproductive in general. The reason for this is that these forms of labour create new use values.

[307] Savran, Sungur and Tonak, Ahmet. (1999), p138. .
[308] *Ibid.,*
[309] *Ibid.,* p139.

Still more complicated to understand are situations whereby social services are provided as part of a welfare state. In these cases the labour is not productive of capital leading to the initial conclusion that the labour is productive in general and thus would have a neutral impact on the global political economy. When considering that this group derives its income from taxation however the picture becomes somewhat murkier.

As taxation is typically corporate taxes from capitalists and income taxes from workers, it remains to be established whether or not these workers benefit from the exploitation of the productive sector. This requires an examination of the source of the value that is being taxed. In a consumption economy where the majority of all occupations are unproductive it follows that the majority of all income is derived from the exploitation of productive sectors elsewhere in the global political economy either domestically or internationally, meaning social services workers are receiving second hand surplus value. Figure 3 demonstrates how despite not being unproductive, the income of Social Services labourers may be partially generated from the surplus value extracted from the productive labourers.

Figure 3 – Sources of Social Services Income in a Consumption Economy where Social Services are under socialized ownership



By contrast and as demonstrated in Figure 4, social services workers in a production economy would receive their income partly through the taxes paid by productive labourers and partly through the surplus value generated by productive labourers as both capitalist profits and income taxes from circulation and social reproduction workers generate their income.

Figure 4 – Social Services Income in a Production Economy where Social Services are under socialized ownership



In both cases it can be seen that social services workers, irrespective of whether they are productive of capital, can benefit from the increased exploitation of the productive labourers. This can generate either potentially larger capitalist profits or circulation/social maintenance incomes when taxed form the economic base of social services income.

Having answered these questions a broad picture of the global political economy is established by way of various typologies of labour which can be divided into four basic camps. Firstly there is the camp that neither exploits productive labour nor is exploited itself including subsistence producers, household workers, domestic servants and petty commodity producers. Secondly, there is the camp which exists solely due to the exploitation of the productive sector including capitalists, but also circulation and social

maintenance workers. Thirdly, there is the social services workers whose contingent peculiarity as being part of a welfare state have led them to accumulate surplus value from productive labourers while being productive in general themselves by creating new use values. Finally, there are productive labourers who through the productive process generate surplus value which is used to sustain the incomes of all the other sectors.

The reason why consumption economies are interesting units of analysis is that there can be only two theoretical explanations for why the majority of the productive forces in these economies can be employed for the purposes of consumption. They are not mutually exclusive but have far reaching political implications both in terms of the domestic politics of that particular economy and in terms of the global political economy. In particular the question of the extent to which workers have an identity of interest on a global scale will determine the potential for unity against capital. For the purposes of demonstration it is possible to identify two ideal situations noting that the reality is likely to be far more complex than this.

The first situation is where a country has the majority of its productive forces employed in the sphere of social consumption through the exploitation of a sector of the domestic workforce. This hypothetical situation is one whereby the productive sector of the workforce is exploited to the extent that the surplus value produced through the exploitation of this sector is sufficient to firstly pay for the social consumption of the distribution and social reproduction sectors. A society such as this would most likely feature a dual economy where workers due to special conditions (such as being slaves or illegal workers) are exploited to a degree which is impossible under free market conditions.

The second situation is where a country has the majority of its productive forces employed in the sphere of social consumption due to the appropriation of value

from workers in other countries. For the purposes of this thesis I will not treat the possibility of simple plunder as a means of acquisition, the mechanics of this being simple to understand. Leaving plunder aside, trade and the multistage realization process are the mechanisms through which a transfer of value from the production economy to the consumption economy occurs.

Shaikh and Tonak discuss a two-stage realization process by which a commodity passes through the phase of production before being sold to the distribution sphere and then sold for consumption at a final price. In their example Shaikh and Tonak ask us to imagine a commodity with a total value of $2000. In describing the process by which the commodity came to be produced and sold to the "distribution" sphere, Shaikh and Tonak describe how the surplus value of production labour ends up being transferred to the distribution sector[310]. First the production price of the commodity includes $400 of materials which went into production as well as $200 of wages and $400 in surplus value which is realized upon the sale of this commodity to the distribution sphere. In addition to this Shaikh and Tonak demonstrate that an extra $200 is spent on the constant capital of the warehousing and retailing facilities, $400 in distribution worker wages and an extra $400 in surplus value realized upon the final sale of the commodity at $2000.

This additional surplus value, despite being realized at the site of consumption, was extracted from the production sector but hidden in the price mechanism. Due to the position the retailer holds in the commodity chain it also holds the ability to bring the commodity to sale on the market, and thus acquires the ability to realize a certain portion of the surplus value inherent in the commodity. The point made by Shaikh and Tonak is that the actual surplus value extracted from the production sphere is $1400. Given the distribution sphere cannot create value, it is paid for out of the production sphere's surplus value.

[310] Shaikh, Anwar and Tonak, E. (2007), p46. .

Factors Conditioning Global Class Structure

There are some other phenomena, not yet discussed in this chapter, which it is reasonable to address in terms of clarifying the anatomy of the global class structure. Thus far in this chapter it has already been established that my theory of the global class structure excludes the distribution and social reproductive sectors of the global economy from the global proletariat. There are two remaining questions to be settled in terms of the global class structure. Firstly where do the productive sector workers who live in consumption countries fit into the global class structure. Secondly where do unskilled workers from non-capitalist modes of production, such as subsistence farmers fit into the global class structure if at all. In answering these questions a point will be reached where a coherent theory will have been developed regarding global class structure.

In Chapter 2 the incomes of productive sector workers in the automobile, textiles and garments sectors were compared revealing major differences between workers of the global North and workers of the global South when performing the same work. The productive sector workers of the North countries present a grey area in need of explanation as to how these workers stand in relation to the workers of the South countries and also in relation to the upper stratum of the labour force.

In attempting to place the North country productive sector workers in a class it is useful to revisit the concepts of the proletariat as well as the petty-bourgeoisie and to examine and evaluate their usage closely. Engels in the Communist Manifesto defines the proletariat as "…the class of modern wage labourers who, having no means of production of their own, are reduced to selling their labour

power in order to live.[311]" When holding this definition of the proletariat up against the North country workers there are some points of interest.

There is a great deal of disparity between Engels' notion of the proletariat as those who have no means of production of their own and the workers of the North countries. Traditionally within Marxism these disparities have been overlooked through the strict adherence to the principle that unless a person directly owns means of production then that person must be a part of the proletariat. It is however necessary to demonstrate why this definition of the proletariat is lacking and undermines the usefulness of the concept. This will make the case for a more restrictive definition of the proletariat for use in analysis of the global class structure.

Firstly as Marx and Engels define the proletariat as a class who are "forced to sell their labour power in order to live", consider the concept of labour power. Marx suggests that "The value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer[312]." In the same section Marx expands on this definition to include maintenance of a family so that the labouring class may continue to exist. He also makes the argument for higher values of labour power for skilled work in order to compensate the cost involved in education and training.

The most notable and most questionable comment in this section discussing the value of labour power is the section discussing differential levels of consumption where Marx says:

[311] Marx, Karl and Engels, Freidrich. (2010). *Manifesto of the Communist Party.* Available from: http://www.marxists.org/archive/marx/works/1848/communist-manifesto/ch01.htm [Online] Last accessed: 31 October 2010.
[312] Marx, Karl. (2010). *Capital: A Critique of Political Economy: Volume 1.*

> "…the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilization of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free labourers has been formed[313]."

In adding what Marx terms a historical and moral element into his theory Marx allows for potentially limitless levels of consumption and/or savings into the concept of labour power which leads to theoretical problems which I will discuss shortly as it impacts on global class formation.

It is interesting that despite the upper limit of the value of labour power being defined in a very vague way; by contrast the lower limit of the value of labour power is subject to a very precise definition. Marx suggests that "The minimum limit of the value of labour-power is determined by the value of the commodities, without the daily supply of which the labourer cannot renew his vital energy, consequently by the value of those means of subsistence that are physically indispensable[314]."

The problem presented by a failure to precisely define an upper limit to the value of labour power for Marxist theory is a simple one. In most cases labour power is purchased in the form of money as wages. Money for Marx is the universal commodity which allows for the purchase of any and all other commodities. The proletariat as defined by Marx is unproblematic insofar as the proletarian lives at a subsistence level; however when workers are paid above subsistence value the margin of difference between their total wages and the subsistence wage creates a problem for the theory.

---

[313] *Ibid.,*
[314] Marx, Karl. (2010). *Capital: A Critique of Political Economy: Volume 1.*

Weil in commenting on how aspects of the petty bourgeoisie move into the capitalist class comments that this takes place when they capitalize their own surplus value and treat it as investable profit[315]. As the petty-bourgeois has ownership of means of production they are able to 'exploit' themselves and retain their own surplus value which can then be capitalized. While he does not discuss directly how persons without direct ownership of means of production might achieve this, Weil's eventual definition of what he calls the petty-bourgeoisie includes both the 'old' petty-bourgeoisie, shopkeepers and small commodity producers who own means of production, but also a 'new' petty-bourgeoisie who do not directly own means of production[316]. While the author limits his view of this 'new' petty-bourgeoisie to professionals only there is little reason to separate professionals as separate strata as the essence of Weil's argument is that a class has surplus which they are able to turn into capital.

As I will explain below, for reasons of clarity and particularly to avoid any confusion with the need to own means of production, I will use the term 'labour aristocracy' to describe this class of people. This will retain the focus on a class of people who have emerged as capitalism has developed, rather than a class of people who existed prior to the emergence of capitalism.

What is important to note when considering wage workers and their possession of a capitalizable surplus is that their personal choices, whether they simply spend their supra subsistence wages on superannuation, assets, savings or consumption goods makes no difference because what unites this group of people is that they have access to the means of production. In terms of class therefore the labour aristocracy, a class of people who are paid consistently above a subsistence level and thus have access to the means of production, are

[315] Weil, Robert. (1995). Contradictory Class Definitions: Petty Bourgeoisie and the "Classes" of Erik Olin Wright. *Critical Sociology.* Vol 21, Iss 3, p12.
[316] *Ibid.,* p29.

a class in themselves. The proletariat, a class who does not have access to the means of production is an entirely separate class.

When attempting to gain a picture of the global class structure the question then becomes one of where do the workers who exist above a subsistence level fit. Within the existing Marxist concepts there are two class categories which these high wage may workers fall into, the petty bourgeoisie and the labour aristocracy. For Marx the petty bourgeoisie was a class which having small scale ownership of the means of production was distinct and separate from the proletariat but did not have the ability to own large scale means of production and become part of the bourgeoisie. It is thus the member of the petty bourgeoisie is obliged to work despite the access they have to the means of production. Originally Marx used these categories to describe remnants of feudalism which were gradually being incorporated into either the bourgeoisie or the proletariat by the forces within capitalism.

The other established concept within Marxist theory which can be used to understand workers who are paid above a subsistence level is that of the labour aristocracy. To demonstrate what the concept has been used to explain, the following quote from Lenin is instructive:

> "This stratum of workers-turned-bourgeois, or the labour aristocracy, who are quite philistine in their mode of life, in the size of their earnings and in their entire outlook…are the real *agents of the bourgeoisie in the working-class* movement…In the civil war between the proletariat and the bourgeoisie they inevitably, and in no small numbers, take the side of the bourgeoisie...[317]."

[317] Lenin, Vladmir. (2010). *Imperialism: The Highest Stage of Capitalism*. Available from: http://www.marxists.org/archive/lenin/works/1916/imp-hsc/pref02.htm [Online] Last accessed: 31 October 2010.

Opponents of Lenin's theory of the labour aristocracy have mostly come from within Marxism. The most notable of these is Mandel who attempts to explain wage differentials between the global North and the global South as resulting from differences in labour productivity[318]. Following Mandel there is literature which argues against the notion that a labour aristocracy exists in the global North and in support of the notion that if anything the workers of the global North are the most exploited[319]. As evidenced in Chapter 2, when productivity is considered as the amount of output per unit of input the empirical evidence in the garment, textiles and automobile industries is that there is no such relationship between productivity and wages. Additionally it is difficult to make a case that that the workers of the global North, who are highly paid and enjoy comfortable conditions relative to the workers of the global South, conditions well beyond subsistence, are also those in the world who are likely to be most dissatisfied with their conditions and seek to challenge them.

In support of the thesis of the labour aristocracy, the most notable writer since Lenin has been Emmanuel. Emmanuel's position that the high wages of the developed countries are a function of the low wages of the underdeveloped countries is a conclusion that the workers in high wage countries form a labour aristocracy. In contrast with Emmanuel's theory of unequal exchange, the majority of writers on unequal exchange after Emmanuel argue that wage differences are the result of productivity which is again at odds with the data presented in the empirical section of this thesis[320]. Some writers, such as

[318] Mandel, Ernest. (1975). *Late Capitalism.* London: New Left Books, pp359-364.
[319] Freidman, Samuel. (1983). The Theory of the Labor Aristocracy. *Against the Current.* Vol 2, No 3. See also: Freidman, Samuel. (1983). "Structure, Process and the Labor Market," in Darity Jr, William. *Labor Economics: Modern Views.* Hingham: Kluwer-Nijhoff. See also: Botwinick, Howard. (1993). *Persistent Inequalities: Wage Disparity Under Capitalist Competition.* Princeton: Princeton University Press.
[320] Amin, Samir. (1974). Accumulation on a World Scale: A Critique of the Theory of Underdevelopment. Trans. by Brian Pearce. New York: Monthly Review Press. See also: Anderson, Jan Otto. (1976). *Studies in the theory of unequal exchange between nations.* Abo:

Fanon[321], Kaplinsky[322] and Arrighi[323] have even extended the concept of the labour aristocracy further by using it to describe sections of labourers within the global South whose privileged position leads them to oppose any changes to the existing system.

The question for this thesis then becomes one of what is the best way to understand the strata of workers who hold a position of privilege within the global political economy as against their fellow workers. In making a decision between the two related concepts, I believe that the concept of the labour aristocracy is more appropriate for the purpose of this analysis. The reason being is that the labour aristocracy as a concept is able to capture the workers whose earnings are above a subsistence level without being limited by the requirement of small scale ownership of the means of production.

Having considered the various arguments about class, the following conclusions can be made which will facilitate analysis of the global class structure. Firstly the proletariat is that class which does not have access to the means of production and which has the potential to be capitalistically employed, it is the class that is generally engaged in productive labour, and which valorizes capital. Secondly the bourgeoisie is that class which has access to the means of production to the extent that they do not have to involve themselves in labour. Thirdly the labour aristocracy is that class which has access to the means of production, but not to the extent that they do not have to involve themselves in labour. Thus the labour aristocracy includes those people whose earnings give them the potential to accumulate net worth or access to credit that is potential capital.

Abo Akademi. See also: Bettelheim's own criticism of Emmanuel on this point is included as an afterword in many copies of Emmanuel's *Unequal Exchange.*

[321] Fanon, Frantz. (1967). *The Wretched of the Earth.* London: Penguin, p97.

[322] Kaplinsky, R. (1971). Myths about the "Revolutionary Proletariat" in Developing countries. *Institute of Development Studies Bulletin.* Vol 3, No 4, p21.

[323] Arrighi, G and Saul, J. (1973). *Essays on the Political Economy of Africa.* New York: Monthly Review Press, p117.

Political Boundaries and Class Structure

The majority of this chapter has focused on what I have termed the global political economy and the global class structure. It is necessary here to separate this argument from arguments which suggest that the nation state has no role to play in the world economy. I will make the argument that in some respects the nation state acts as an important structure which has a great impact on classes within the global political economy.

Recalling the first chapter which considered global differences in wages, it demonstrated that there was a clear stratification between the countries of the global North (high wages) and the countries of the global South (low wages). One factor which can be used to explain these differences between wages for the same work is the relative immobility of the labour factor on a global scale or more specifically the relative immobility of the global proletariat from South country to North country.

In a perfectly competitive labour market it can be argued that there would be a trend towards the equalization of wages. This is because workers could freely move between sites of work in order to find the best possible wages. In the global political economy however, there exist a number of barriers both natural and political which prevent workers of the South from moving to North countries and thereby experiencing conditions of higher wages.

Firstly there is the consideration of the costs of international travel. For the majority of workers in South countries, the cost of international travel is a natural barrier which prevents them from traveling from nation to nation in order to find work. There are exceptions to this case, such as situations where countries

share a land border thus making travel costs relatively inexpensive. For the purposes of this argument, travel costs will be left aside as they apply equally to workers from the South countries whether they are attempting to move to another South country or to a North country. For example a worker from Ghana will find it almost equally costly to travel to Mexico as they would to the United States.

The more important consideration in terms of international labour mobility is the political barriers that prevent migration in order to find better working conditions. Under the prevailing international conditions, an unskilled labourer from a South country cannot simply move to a North country as they will be denied permission to work unless there are exceptional circumstances such as marriage to a North country citizen, family sponsorship by a skilled migrant or naturalized relative or refugee status. This situation is one of the main structures which produces and reproduces the differences between workers of the global North and workers of the global South.

After considering these factors, the picture of the global political economy becomes clearer. Firstly, it is a political economy where high wage workers and low wage workers are separated by political structures in the form of the national boundaries within the international state system. Secondly, it is a political economy whereby production and consumption have been separated largely along the exact same lines between high wage countries whose economies are typified by consumption and low wage countries whose economies are typified by production.

The Politics of Classes in the Global Class Structure

One of the overall objectives of this thesis is to make an assessment of the capacity of workers globally to act in concert and challenge the power of capital in the face of global competition. In a variety of ways I have established that there exists a great divide in global labour between what can be termed the global proletariat and the global labour aristocracy. I now turn to the sources of this class division and their expression in global politics.

In the previous section it was explained that there exists a division between certain kinds of labour which can be generally expressed as the difference between productive labour, that labour which is productive of capital and adds value to the global economy, and unproductive labour that labour which is not productive of capital and subtracts from value in the global economy. In taking a closer look at these two kinds of labour and the features that define them I will endeavour to explain that not only are they qualitatively different in form, but also that they experience global capitalism in a different way.

Taking production labour as a unit of analysis, it is a notable feature of the global economy that production has to a large extent shifted from the developed to the developing countries primarily due to their superior productivity in terms of the number of commodities able to be purchased per unit of wages. This reveals a specific feature of production which separates it from any other form of labour. A feature of production is that it can be shifted from place to place based on relative costs and benefits.

In contrast to production labour stands consumption labour. Unlike the process of production, where capital can be moved from place to place in order to find the best conditions for production, the process of consumption is immobile. In

order to realize the value inherent in any commodity these commodities must be sold where there is consumer spending power. The locations having the highest levels of aggregate consumer spending power, predominantly the global North, is a factor which is beyond the control of individual firms. So whereas the individual capitalist has a great amount of power in relation to the forces s/he would employ in the process of production, the opposite can be said of their power in relation to the forces which consume the final product and realise the profit for the capitalist.

Consumption workers are generally not in competition on a global scale. Given the fact that consumer markets exist behind national boundaries and that consumption can only take place where there exists a consumer market with disposable income to realise the value of commodities, consumption workers are insulated from global competition. Whereas a company who sells a commodity on the US market may choose to relocate production from one country to another with very little thought aside from profit margins, the same company cannot simply transplant its consumer market share in an economy elsewhere.

An example of this situation is the majority of the retail sector. As the process of retail is conducted at the point of sale, retail workers are only in competition with those other persons who are able to exist in proximity to that point of sale. When considering Freeman's observation about a global pool of 3 billion workers, very few of those 3 billion workers are able to compete for retail jobs on a global level. Workers such as those in the retail sector generally only compete with other workers within their own nationally segmented political space. To exert discipline on retail workers, a capitalist may casualise the workforce or exert pressure as part of the bargaining process for lower wages, but what the capitalist may not do is relocate the retail sector to another geographical space as they could with production workers.

To put the issue into global perspective it was noted that with the shift of production from the global North to the global South, a global division of labour exists between the generally productive South, and the generally unproductive North. Given that production is a globalized process and that consumption is a localized process, this suggests that South countries are in competition with one another in order to become sites of production. In contradistinction North countries are not in competition either with the South countries or with each other to become sites of consumption, as these countries are the locations of the majority of global spending power. The only experience of global competition that exists in the global North is in relation to its rapidly declining manufacturing sectors.

There are two groups remaining whose wage levels and class positions have yet to be explained, the South country consumption workers, and the North country productive workers. These workers occupy a minority position within the economic structure of their respective countries. In terms of explaining their position in the global class structure they pose a theoretical problem for a number of theorists. Poulantzas for instance associates all production workers with the proletariat and all consumption workers with the petty-bourgeoisie or labour aristocracy. If this theory was to be carried out to its logical conclusion, it would suggest that the consumption workers in the South would fall into the category of petty-bourgeoisie and that the production workers in the North would fall into the category of proletariat. As previously explained however, the notion of the proletariat is inconsistent with high wages or net worth which is equivalent to capital. The North country production workers therefore, present a problem for the theory of Poulantzas that any worker associated with production is proletarian.

Production workers in North countries occupy a special position in the global

political economy in that they appear to be in competition globally with other production workers, yet on a local level they are also in competition with workers for jobs that involve consumption labour. Taking the competition with production labourers in the South countries alone would necessarily lead to the conclusion that production workers would have low wages, however the fact of their ability to compete for unskilled jobs in the consumption sector which dominates North countries explains how production work in North countries is also associated with high wages such as those evidenced in Chapter 2.

With regards to the consumption workers in South countries, their situation is the opposite of the North country productive workers. While these workers may not be in competition internationally by virtue of the fact of being consumption workers, they are in competition with a productive sector which dominates the capitalist economy. As a result of this, they are unable to achieve wages on the level of the global North due to national competition with low wage workers. It is thus that through an interaction between global forces as well as local boundaries a global division of labour as well as a global class structure is formed. This and the fact that structurally labour in the global North, a consumption workforce, has little in common with the production workforce in the global South, makes it seem unlikely that there will be any meaningful cooperation between Northern workers and the workers of the global South.

Such a situation has been long predicted by theorists such as Emmanuel, who in 1976 commented on the impossibility of raising the wages of the workers of the global South to Northern levels. Based on a 1973 average annual US wage of $10,500, and an economically active population of 1 billion people, Emmanuel noted that it would require almost $11 trillion in order to finance such a wage increase, a non-existent amount of money given the total national

income of the capitalist world in 1973 was $2.7 trillion[324]. This led Emmanuel to a conclusion about the antagonistic relationship between the workers of the global North and those of the global South, as workers' conditions in the global South could not improve without a corresponding deterioration in workers' conditions in the global North.

Emmanuel, as noted in Chapter 3, had developed a detailed theory as to how surplus accumulates in the global North through the process of unequal exchange. To recap Emmanuel's position he suggests firstly that wages in a given country are set by institutional factors rather than by market factors with the relative power between classes on a national level determining the wage rate[325]. This wage rate then has a deterministic effect on the prices of goods which when engaging in trade leads to a transfer of surplus value from the low wage country to the high wage country which is embedded in the prices of low wage commodities. A number of examples are cited by Emmanuel in his various publications, one being that of the difference between the relatively low price of Cacao and the relatively high price of chocolate despite the two goods involving comparative levels of skill to manufacture. Such examples are considered to reinforce the theory that the wages of the workers involved are the independent variable around which the prices of the commodities involved are determined.

Despite the usefulness and my general acceptance of the Unequal Exchange thesis there are a number of points which I will address in terms of my disagreements with Emmanuel in terms of the theory's ability to act as a concrete analytical tool in the global political economy its features and its trends. These include the role of labour power in Marxist theory, the role of finance, the

[324] Emmanuel, Arghiri. (1976). The Socialist Project in a Disintegrated Capitalist World. *Socialist Thought and Practice: A Yugoslav Monthly,* vol 16, No 9, pp69-87.
[325] Emmanuel, Arghiri. (1975). *Unequal Exchange Revisited.* IDS Discussion Paper. No.77, p36.

role of the previously discussed unproductive sector and the transnationalization of production and consumption.

Regarding the concept of labour power, Emmanuel takes the position that labour power in equivalent to wages. An example of this is to be found in his reaffirmation of the original unequal exchange thesis *Unequal Exchange Revisited* where he suggests that "the price of labour power" is determined mainly by "the relation of power between social classes[326]." His implication here is that what Marx described as the "moral and historical element" is reflected in the differences in wages between countries. In agreeing that differences in wages between countries are a product of historical developments, it is necessary for the sake of theoretical clarity to disagree that these developments which Emmanuel refers to set the price of labour power as the concept of labour power must be separated from that of wages.

In Marxist political economy labour power, the capacity for a worker to engage in labour, is treated as a commodity[327]. Emmanuel states that the value of any commodity is "the magnitude of the value of any article is the amount of labour socially necessary, or the labour time socially necessary for its production[328]." In the case of labour power, the value of labour power is determined by the socially necessary labour involved in reproducing the labour power concerned. In other words, the value of labour power is equal to "the value of the means of subsistence necessary for the maintenance of the labourer[329]."

From a theoretical perspective, it is important to insist on the point of subsistence as an essential part of the concept of labour power as this concept has links to other concepts in Marxist political economy in particular surplus

[326] *Ibid.,* p34.
[327] Marx, Karl. (2010). *Capital: A Critique of Political Economy: Volume 1.*
[328] *Ibid.*
[329] *Ibid.,* ch6.

value and class. Regarding surplus value, labour power is the objective standard by which exploitation in the form of surplus value is defined. The amount of time required to reproduce the value of labour power (necessary labour time) is compared as a ratio to the total labour hours in order to deduce a surplus. Particularly when considering the wages paid to workers in the global North, it is difficult to incorporate savings, capital accumulation and non-essential consumption items under the heading of 'labour power' without deviating from the original intention of the concept.

Secondly regarding class, the concept of labour power has an intrinsic connection to the Marxist conceptions of classes in particular with regard to the proletariat, the class which lives purely by selling their labour power. A misapplication regarding the concept of labour power has the potential to lead to further deviations, particularly regarding the concept of the proletariat, by incorporating appropriations of value that either come from surplus value or which lead to capital accumulation and/or the purchase of non-subsistence items. It is made clear by Marx that an essential condition for the sale of labour power is "that the labourer instead of being in the position to sell commodities in which his labour is incorporated, must be obliged to offer for sale as a commodity that very labour-power, which exists only in his living self[330]." It is logically inconsistent to equate labour power with wages in the sense that while all labour power is paid in the form of wages, wages do not necessarily equal the value of labour power. Such a suggestion again deviates from the original intent of the concept of the proletariat, a matter which will carry with it particular importance in any Marxist analysis of class relations.

The second problem with Emmanuel's overall approach is that he considers only one possibility for surplus extraction from the global South in the form of trade. In doing so he excludes finance and international investment as a means

[330] Marx, Karl. (2010). *Capital: A Critique of Political Economy: Volume 1.*

by surplus can be extracted from the global South. Emmanuel explicitly states "that between one country and another no other means of transferring wealth or value exists but the transfer of material goods or services[331]." Such a position seems to contradict a number of features in the global political economy and reveal a number of contradictions in his theory. For example, according to the United Nations Commission on Trade and Development Foreign Direct Investment stock in the global South was $3.15 trillion US dollars or roughly one quarter of total investment[332].

In discounting finance as a means by which surplus value can be transferred from the global South to the global North Emmanuel discounts the returns on this investment. Whether these returns amount to pure income or end up as capital which is reinvested in the unproductive sector in order to realize values, the fact is that the returns from this foreign investment have a great potential to act as a drain of surplus value from the global South to the global North, and therefore create the potential for higher wages in the global North.

Emmanuel's dismissal of the finance sector as a source of exploitation is connected to his general dismissal of the notion that the unproductive sector plays an important role in the global political economy, particularly in the global North whereby the majority of workers are unproductive of capital. I feel that Emmanuel doesn't give this particular point the attention that it deserves even though, as I have demonstrated earlier in this chapter, it can be argued that the growth of the unproductive sector in the global North is a byproduct of transfers of value from the global South. When a product is sold by producers in the global South to go through a process of consumption in the global North it may encounter any number of unproductive sectors such as advertising, marketing and retail before its final consumption as a commodity. Application of the labour

[331] Emmanuel, Arghiri. (1975), p55.
[332] United Nations Conference on Trade and Development. (2007). *UNCTAD World Investment Report 2007.* United Nations: New York, p225.

theory of value necessarily leads one to conclude that these sectors are entirely paid for by extracted value from the productive worker. In this sense Emmanuel misses one of the critical elements of the effects of unequal exchange.

The advent of globalized production processes such as those referred to in the work of Gereffi in the previous chapter suggest the need for an analytical framework that can break down the flows of value. In this sense Emmanuel's paradigm is limited as it discusses the import and export of finished commodities or what can be described as a 'terms of trade' argument. Such an argument is based on the idea that the global South over time was able to import less goods per good exported. While such an argument may be true there are a variety of transfer mechanisms which go beyond terms of trade in terms of explaining the differences between conditions in the global South and those in the global North.

A terms of trade argument also cannot account for the rise of multinational and transnational corporations and the fact that these corporations import and export goods between one another. In doing so the phenomenon of "transfer pricing" occurs whereby the price of goods from the exporting country is generally undervalued and then overvalued in the importing country[333]. The majority of focus regarding transfer prices has been that regarding tax evasion, however in relation to arguments about transfers of value globally it is necessary to consider transfer prices beyond the problem they pose for national governments in the form of tax evasion. Such a mechanism allows for the appropriation of value that has actually been created by the productive sector of the exporting country, but in national and corporate accounting shows up as value added by the unproductive sector.

[333] Sun, Haishun. (1999). DFI, foreign trade and transfer pricing. *Journal of Contemporary Asia*, Vol. 29, Iss 3.

With such a complex range of factors to consider in terms of the various mechanisms through which value flows occur in the global political economy, it is necessary to adopt an approach that can accommodate this multiplicity of factors and the effect those factors have globally. In response to these demands the global commodity chain approach appears to be a suitable analytical framework in order to analyze flows of value to multiple nodes within a globalized network of production and consumption.

While the global commodity chain perspective may be the only perspective that is multifaceted enough to cope with an analysis of the global political economy, there are aspects of the commodity chain perspective the validity of which I would question in light of the arguments presented in this chapter. These include theories of value which have underpinned existing work within the global commodity chain perspective, as well as the subject of analysis which the perspective bases itself on. What is required is a reorientation of the global commodity chain perspective towards the phenomenon of globalized patterns of production and consumption. Most important however is that as part of a theory of political economy that seeks to explain differences between workers globally, labour must become the centre of global commodity chain analysis.

As discussed previously, neoclassical economics is the dominant economic paradigm at the time of writing this thesis. Similarly, writers from the global commodity chain perspective have been influenced heavily by neoclassical economics. An example of this is Gereffi himself who considering the acts of 'lead firms' in apparel commodity chains writes that:

> "As apparel production has become globally dispersed and the competition between these types of firms intensified, each has developed extensive global sourcing capabilities. While "de-verticalizing" out of production, they are fortifying their activities in the high value-added design and marketing

segments of the apparel chain, leading to a blurring of the boundaries between these firms and a realignment of interests within the chain[334]."

It is thus that the philosophical roots of Gereffi's argument become clear as he refers to a distinction between 'high value added' and 'production' as if value could be added outside of the productive process.

In contrast to this would stand a perspective based on the labour theory of value. In beginning with the assumption that labour is the only source of value, and that only that labour is productive which is productive of capital, the result of global commodity chain analysis is far different. The productive work of labourers is emphasized as being the sole source of value in the global political economy. This reorients the global commodity chain perspective so as to put productive workers at the centre of the theory.

Such a perspective also allows for the distinction to be made between labourers who create value and those who are involved in consuming value. This distinction has important consequences when considering the role played by various actors in the global political economy, and in terms of the potential political strategies to be adopted. Most importantly it allows for a consideration of transfers of value between producers and consumers on a level that ranges from the local to the global.

In raising the distinction between producers and consumers as units of analysis, the global commodity chain perspective would gain the ability to better evaluate who are the winners and losers as a result of any process. This could include trends in the global economy, policy changes, or actions by corporations or

[334] Gereffi, Gary. (2000). *The Transformation of the North American apparel industry: Is NAFTA a Curse or a Blessing?* United Nations Publications: Santiago, p13.

unions. In contrast to approaches that evaluate outcomes either nationally or by reference to the concept of lead firms such as those used by Gereffi it recognizes the possibility of separate and conflicting interests between various classes within the said nations or firms. What is important in raising the distinction between producers and consumers is the key notion that even through labouring it is possible to consume value, a perspective which stands in contrast to many established understandings of production whether they are neoclassical or Marxist.

Conclusion

As has been discussed in this chapter, when an economic unit such as a country or region is mostly involved in consuming economic value, then this region becomes a net recipient of value as part of the flows of value in global commodity chains. Through the political/institutional processes that have been developed in the given country, that value is then distributed between the various national social forces including both workers and capitalists. The end result is that the unproductive workers involved in value consumption are receiving appropriated value which is created by productive workers in other countries.

In addition to this is what can be termed actual consumption, or the personal consumption of individuals. As has been previously discussed in this chapter, the total level of individual consumption is a secondary factor which helps to define class. This is due to the fact that at some point, increased income signifies a transition from the proletariat into the labour aristocracy.

The relationship between national social forces and whether this relationship is potentially cooperative or antagonistic with regards to labour related movements

is determined by whether these social forces are net recipients or net providers of surplus value. The shared fact of exploitation of labour is the structural axis which has the potential to unite social forces in the global South where the majority of exploitation takes place, and where productive labour is the dominant feature of the economy.

Importantly and in connection to the second chapter of this thesis, this theory reconfirms the validity of the notion of the global South due to the shared relationship of the classes within these countries to the global means of production. Such a position is a theoretical counterweight to positions of writers such as Harris who claim that there is an end to the "Third World" due to increased industrialization. This is because it demonstrates how this industrialization is less a process of 'catching up' and more a regeneration of older relationships of exploitation in line with trends such as globalization and the deindustrialization of the global North.

This perspective is also a counter-argument against the notion of 'successes' of certain countries and certain policies which depend on empirical evidence of economic growth in terms of GDP and GDP per capita. In considering the ground reality of class relations within the global South, such a perspective explains the simultaneity of economic growth and lack of economic progress for the workers in the global South by treating the various classes within each unit separately, and by adding an institutional dimension to the analysis. Finally the perspective both counters the orthodox Marxist notion of 'workers' solidarity and reinvigorates both Marxist political economy and political strategy by stressing the structural differences between the workers of the global North and the global South as existing simultaneously between each of these groups and the global capitalists.

With the advent of global commodity chains discussed in the previous chapter, the phenomenon of value transfers from the production sectors to the distribution and social reproduction sectors takes on a new dimension, particularly when considering the political outcomes that result from such a transfer. It is quite clear that global commodity production increasingly corresponds to the picture drawn by Gary Gereffi discussed in the previous chapter with global commodity chains being set up, whereby the sites of production are differentiated. The stage of the commodity chain which Shaikh and Tonak would describe as that related to the distribution sphere mostly takes place at a different location than that of the production sphere.

Chapter 5 – Case Studies: Comparison of Commodity Chains

The next section will compare and contrast commodity chains in the clothing and automobile industries which span across various countries. This will provide an illustration of the operation of commodity chains. Following on from the empirical work in the second chapter the case studies will examine the clothing and automobile industries and will compare and contrast commodity chains where the lead firm is in Germany as opposed to where the lead firm is in the US. This enables a comparison of different regions, different structures in the host country market and political dynamics and different commodities to see whether there are any major differences in the features of the commodity chains and the extent to which these differences had an impact on the final distribution of value. Finally I will look at patterns of value distribution within the commodity chain framework and whether the different geographical and institutional settings lead to differential outcomes for the production workers involved.

As discussed in the previous chapter, a number of features in a commodity chain are assumed to be influential in determining the distribution of value along the chain, as well as the ability of a supplying firm to capture additional nodes of a commodity chain. Among these important factors is the relative size and bargaining position of the lead firm as against the supplying firm, the organizational characteristics of the lead and supplying firms and the structure of capitalism in the host country of the lead firm and the supplying firm. Also important to recall from previous chapters are the concepts of producer driven and buyer driven commodity chains, whereby producer driven commodity chains involve some level of control over each stage of the production process and buyer driven commodity chains involve several layers of subcontracting based on an initial design proposal with the lead firm not directly controlling or

supervising production[335]. These factors will form the central aspect of the analysis and conclusions drawn from the case studies.

The reasoning behind the focus on share of value flowing to the supplying firm is in relation to the impact on wages and conditions. The assumption behind this focus is that in the long run the amount of value which the supplying firm is the total amount of contestable value in a node of a commodity chain. This sets a ceiling on the maximum amount of value which workers could obtain. While the struggle for wages is separate from the process of production, the structure of a commodity chain can be seen to set a ceiling for wage claims as it is impossible for workers to bargain for more value than that which has been appropriated by the supplying firm. This, in addition to other factors such as the prevailing industrial conditions and the struggles engaged in by workers in a given country/region, determines the level of wages received by workers.

Commodity 1 – Clothing Commodity Chains where the US or Germany host the lead firm

Lane, citing Adler, notes that in both the German and the US clothing industries the "outsourcing of manufacturing operations has reduced domestic in-house production to around 15%[336]." Based on the model developed by Shaikh and Tonak, it appears that the majority of the clothing 'industry' in the US and Germany is in fact unproductive sectors involved with design, marketing, retail and distribution. This pattern is illustrative of the structure of production which was described in chapter 4.

[335] Gereffi, Gary. (1999). *A Commodity Chain Framework for Analysing Global Industries*. Available from: http://eco.ieu.edu.tr/wp-content/Gereffi_CommodityChains99.pdf [Online] Last accessed: 31 October 2010, p1.
[336] Adler, U. (2003). Suche nach Kernkompetenzen als Daueraufgabe – Gibt es Grenzen der Produktionsverlagerung? Bekleidungsindustrie mit Zukunft. In, Lane, Christel. (2008). National capitalisms and global production networks: an analysis of their interaction in two global industries. *Socio-Economic Review.* Vol 6, p236.

In terms of the specific features of the German and US industries there are a number of differences which can be noted. Firstly with regard to the size of the lead firms the German industry is characterized by "owner-managed family firms[337]." By contrast the US industry is characterized by a duality of enormous stock market listed firms which regularly expand in size due to mergers and acquisitions owing to the "prominence in the US economy of the stock market[338]" and small informal sector firms mostly managed by ethnic minorities[339].

In terms of the character of the industries, the German industry is characterized by the level of technical training and knowledge being relatively high as against the US industry[340]. According to Lane "A broad array of products is produced by employees with comparatively high and flexible skills, both at the level of pre-production functions and in supplier production, supervised by German technicians[341]." An example of this can be found in the production of clothing in Slovakia whereby the German industry has drawn on the relatively high skill and knowledge levels that existed in the state owned enterprises that characterized the Soviet period as part of their supply strategy[342]. "Limited control over the design/production process[343]" is a feature of production in Slovakia with the Germans retaining control of the process of production through standardization of parts and supervision of the productive process by German technicians[344]. Based on this account the German industry is characterized by the development

[337] Lane, Christel. (2008). National capitalisms and global production networks: an analysis of their interaction in two global industries. *Socio-Economic Review.* Vol 6, p236.
[338] *Ibid,*
[339] *Ibid,*
[340] Faust, M. (2005). *Reorganization and Relocation in the German Fashion Industry*. Paper Presented at the Conference on Organizational Configurations and Locational Choices of Firms, Centre for Business Research, University of Cambridge, 14–15 April.
[341] Lane, Christel. (2008), p238
[342] Smith, Adrian. (2003). Power Relations, Industrial Clusters, and Regional Transformations: Pan-European Integration and Outward Processing in the Slovak Clothing Industry. *Economic Geography.* Vol 79, Iss 1, p33.
[343] *Ibid.,* p34.
[344] Lane, Christel. (2008), p238.

of a producer driven commodity chain, with the lead firm directing the process of production in each aspect of the commodity chain.

Overall the German industry is typified by "diversified quality mass production" with the clothing being mainly produced in relatively small batches and marketed on their quality[345]. By contrast the US industry is characterized by a very limited degree of technical knowledge. The larger firms are characterized by a low level of training at the lower levels of the firm, and highly specialized management training at the upper levels of the firm[346]. As a result of this "production…entails relatively large runs of given models, with more standardized products and greater focus on costs than in Germany[347]." In contrast to the German industry, the US industry is characterized by the development of buyer driven commodity chains with the design and marketing aspects being controlled by the host firm and the actual process of production carried out by various other parties with no direct influence from the US firm. .

In terms of the conditions in which lead firms operate, there is a marked difference between the US and Germany. The US is characterized by a highly concentrated retail sector[348]. By contrast smaller German firms have been protected by zoning laws which have to an extent prevented the degree of market concentration that exists in the US[349]. As a result of this there is a difference in the power relationship that exists between US and German brand managing firms, retailers and their suppliers[350].

---

[345] *Ibid.*
[346] Collins, J. (2003). *Threads. Gender, Labor and Power in the Global Apparel Industry*. Chicago, IL, Chicago University Press, p104.
[347] Lane, Christel. (2008), p238. .
[348] Wrigley, N. and Lowe, M. (2002). *Reading Retail: A Geographical Perspective on Retailing and Consumption Spaces.* London, Arnold, p27.
[349] Bloecker, A. and Wortmann, M. (2005). Strukturwandel und Internationale Beschaffung im Einzelhandel mit Bekleidung. *Prokla, Zeitschrift fuer kritische Sozialwissenschaft*, Vol 138, pp91–109.
[350] Lane, Christel. (2008), p239

Such is the power of retailers in the US that they also enjoy dominance over US clothing suppliers[351]. The low export volume of clothing from the US[352] means clothing suppliers in the US are extremely dependent on the domestic market and thus forced to engage with powerful retail chains. By contrast suppliers in Germany are "less dependent on domestic retailers who are neither as large nor as aggressive as their US counterparts[353]."

In terms of the commodity chain what can be concluded from the picture drawn in this example is that the patterns of control and organization, particularly in the country where the lead firm is situated, play a large role in governing the operation of a commodity chain[354]. In addition to this Lane comments that: "The clothing industry, outside the designer segment, is faced with the survival of distinctive national styles/sizing of clothing and therefore enjoys limited scope for global marketing. Hence large/giant retailers, as dominant market actors, ensure the maintenance of a marked domestic orientation and, in the US case, even dependency[355]." The picture here is one of global production, but national consumption.

The struggle for wages by workers involved in commodity chain production in the clothing industry remains in question. If the story of a commodity chain is a story of firms, then institutional differences as described above really mean nothing for workers. As such it becomes important to see whether there are any differences between the experiences of workers in these commodity chains.

One of the critical differences noted by Lane in terms of the German clothing industry is that it was characterized vertically integrated production, meaning the lead firm was involved in some way at most if not all of the stages of the

[351] *Ibid.,*
[352] Office of Textiles and Apparel. (2010). *Trade Data: US Imports and Exports of Textiles and Apparel*. Available from: http://www.otexa.ita.doc.gov/msrpoint.htm [Online] Last aaccessed: 31 October 2010.
[353] Lane, Christel. (2008), p239.
[354] *Ibid.,* p246.
[355] *Ibid.*

commodity chain[356]. What this means is that relative to the US based clothing commodity chains, the power of the lead firms as against the workers is more constrained as this condition restricts the ability of the lead firm to shop around. Despite this disadvantage, Smith reports that in a German commodity chain that engages in production in Slovakia, 15% of the value of a commodity is appropriated by the Slovakian firm that produces the product[357]. Only 4% of the total value of the commodity is paid to both the production workers and their managers, with there being no disaggregation which considers the workers' compensation alone[358]. This distribution of value reflects the conclusions made about the global class structure discussed in the previous chapter.

Critical to the notion of the commodity chain as a development strategy is the idea of 'industrial upgrading', a situation whereby participation in a commodity chain leads the ability of firms at the lower end to capture increasing amounts of the commodity chain, in particular sectors of the chain which add greater amounts of value. A specific instance of this occurring was demonstrated by Tokatli in her exploration of the way in which Turkish clothing supplier Sarar managed to engage in industrial upgrading by moving into design, marketing, branding and retailing in 1998[359].

In 1985 Sarar entered into a business relationship with Hugo Boss in which it provided Hugo Boss with manufactured tailored suits based on specifications provided by Hugo Boss[360]. Tokatli observes that the most important factor in terms of Hugo Boss exerting power over Sarar was that whereas contracts for Hugo Boss made up the majority of sales by Sarar, only 5% of Hugo Boss products were manufactured by Sarar[361].

---

[356] *Ibid.,* p241.
[357] Smith, Adrian. (2003), p30. .
[358] *Ibid.,*
[359] Tokatli, Nebahat. (2007). Asymmetrical power relations and upgrading among suppliers of global clothing brands: Hugo Boss in Turkey. *Journal of Economic Geography.* Vol 7, p67.
[360] *Ibid.,* p81.
[361] *Ibid.,*

Tokatli, summarizing the situation, observed that that:

> "Hugo Boss exerted pricing control over Sarar; passed the risks and responsibilities of the slightly imperfect items to Sarar; dictated the specifications of suits; decided when and how these suits were manufactured; and, perhaps more importantly, exerted asymmetric information control with regard to research, design, sales, and marketing issues in the niche of fashionable men's suits while avoiding the problems of managing a labor force in Turkey[362]."

The question then is one of how it was possible for Sarar to upgrade into the higher levels of such a commodity chain to the extent that it could exercise some form of autonomy. The literature covering Turkish clothing commodity chain manufacturers while expecting some industrial upgrading concluded that Turkish manufacturers could not upgrade to the "highest value" activities in the commodity chain, namely design, brand name manufacturing and retailing[363].

Critical to the ability of Sarar to break their links with Hugo Boss expand into the upper reaches of the commodity chain was its ability to control the lower ends of the commodity chain. Through the controversial privatization of a Turkish state owned enterprise, Sarar were able to purchase a textile printing and dyeing facility[364]. In addition to this, and by admission of Sarar's chairman, Sarar profited from a variety of domestic economic and institutional factors such as high levels of inflation, favourable exchange rates, as well as government incentives for exports[365]. Sarar also benefited from an increasing level of surplus value extraction from its workforce due to receiving a stable rate of

---

[362] *Ibid*., p81
[363] Schmitz, H., Knorringa, P. (2000). Learning from global buyers. *The Journal of Development Studies*. Vol 37, Iss 2, pp177–205. See also: Humphrey, J., Schmitz, H. (2002) How does insertion in global value chains affect upgrading in industrial clusters? *Regional Studies*, Vol 36, Iss, 9, pp1017–1027.
[364] Tokatli, Nebahat. (2007). Asymmetrical power relations and upgrading among suppliers of global clothing brands: Hugo Boss in Turkey. *Journal of Economic Geography.* Vol 7, p82.
[365] *Ibid.,*

revenue (paid in the form of Deutschemarks) as against a devaluing domestic currency[366]. Sarar also benefited from the particularity of German clothing manufacturing culture which involved a hands-on approach to manufacturing including the training and provision of technical support by Hugo Boss to Sarar staff which over time provided a knowledge base to Sarar.

What can be learned from this case study firstly is that only in very specific situations can a supplying firm pursue industrial upgrading. To call the Sarar case fortuitous would be an understatement in that it depended on the manufacturing culture of Germany, privatizations in Turkey, the devaluation of the Turkish currency as against the German currency and export subsidies in Turkey. This unique group of factors was particularly favourable for Sarar and cannot be considered the norm in terms of the situations confronting garment subcontractors on a global scale.

Such a conclusion however only considers the relative fortunes of one group of capitalists against another. Tokatli in keeping with the framework set by Gereffi, in focusing on the corporations at play, has largely ignored the impact of this entire story on the garment manufacturing workers. As such it is important to focus on the impact of these commodity chain shifts on the garment workers themselves. When Sarar gained control of various additional parts of the commodity chain they were involved in, there was no documented difference in the level of wages received by Sarar's workers. Indeed within the Turkish domestic political economy as a whole there was little impact. The reason for this is that the retail aspect of the chain was largely based in Germany and the US[367]. Even allowing for some expansion of the retail sector in Turkey, this again does not alter the distribution of value to the manufacturing workers, whose position remained unchanged by the shift of power within the commodity chain in which they are employed.

[366] *Ibid.,* p85.
[367] *Ibid.,* p70.

What can be concluded then is that for the garment workers it appears irrelevant as to whether or not they are part of a commodity chain where the lead firm is more detached as per the typical US firms, or more hands on as per the German firms, or even domestically owned and run as per Sarar after 1998. The drive to achieve control over the 'high value' design, branding and retailing aspects of a commodity chain belies the fact that the critical and labour intensive aspects of the chain, the aspects which involve labour that is productive of capital, will fare poorly irrespective of any industrial upgrading as this process merely alters the distribution of value between firms at the upper end of the commodity chain. Thus for the manufacturing workers it is not a development strategy at all.

Commodity 2 – Automobile Commodity Chains where the lead firm is in Germany or the US

Automobile production was the archetype of Fordism with a car manufacturer being responsible for building the car from start to finish on a mass production scale. The individual parts of the automobiles produced were largely obtained in house with production being driven by divisions within a particular enterprise, responsible for the production of parts. On a global scale the automobile industry became more associated with commodity chain production due to increased global competition within the automobile industry, and the development of "lean and flexible production systems[368]." The result of this is that a once secure source of contracts that would emanate from the automobile manufacturer on a domestic level became subject to global competition[369].

[368] Rothstein, J. (2005). Economic Development Policymaking Down the Global Commodity Chain: Attracting an Auto Industry to Silao, Mexico. *Social Forces.* Vol 84, Iss 1, p57.
[369] *Ibid.,*

Rothstein argues that the main shift in terms of automobile production was a move from centralized production to a situation where a commodity chain exists. In these arrangements, the main source of power is held by the 'assemblers' who in contrast to the clothing commodity chain are situated in the middle rather than at the end of the commodity chain[370]. The assemblers as the lead firms within an automobile commodity chain are the firms that also largely control the design and marketing of the commodity though, unlike the clothing commodity chains, not the retailing. With the locus of power in these commodity chains being closer to that of productive labour, and the traditional association between higher levels of capital intensity and better outcomes for the workers involved, the expectation exists that production workers will do better out of an automobile commodity chain however this remains to be seen.

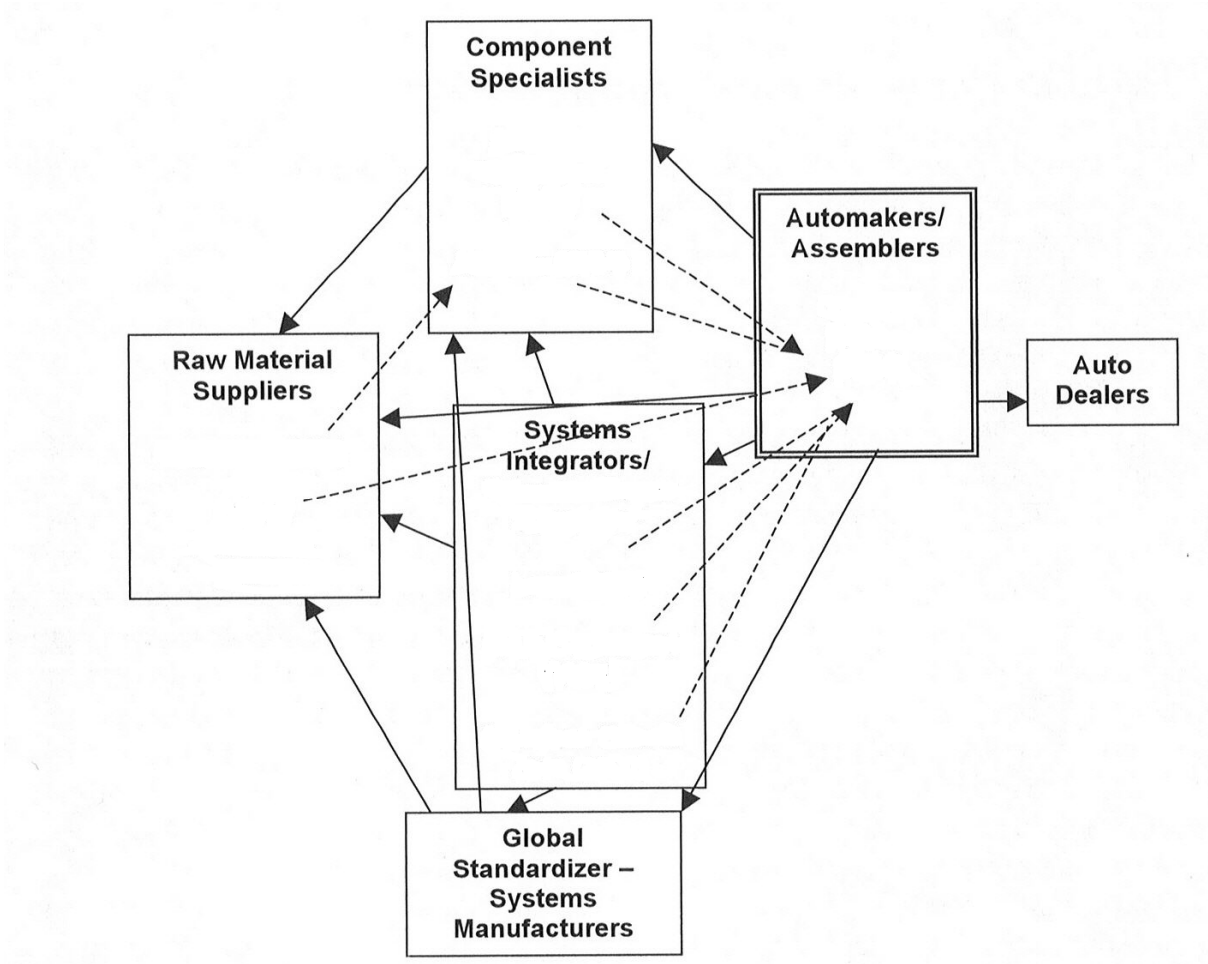
Having identified the assemblers as the most powerful firms in an automobile commodity chain, the focus then turns to the linkages that involve them obtaining the parts that they assemble. Veloso identifies four types of parts suppliers, namely "systems integrators", "global standardizers", "component specialists" and "raw material suppliers[371]." Systems integrators are those companies that design or integrate "components, subassemblies and systems into modules that are shipped or placed directly by the supplier in the automakers' assembly plants[372]." Global standardizers are companies which design and manufacture complex systems. Component specialists are companies who design and manufacture specific components of an automobile. These producers build parts on the basis of detailed specifications provided to them by systems integrators and global standardizers[373]. Finally raw materials suppliers provide products such as steel coils or blanks, aluminum ingots or

---

[370] *Ibid.,*
[371] Veloso, F. (2000). *The Automotive Supply Chain Organization: Global Trends and Perspectives*. pp13-14. Available from: http://in3.dem.ist.utl.pt/master/00networks/fveloso_2000.pdf [Online] Last accessed: 31 October 2010.
[372] *Ibid.*
[373] *Ibid.,* p14.

polymer pellets[374]. The result of this process is a complex network of supply as illustrated in Figure 5.

Figure 5 – Automobile Commodity Chains[375]



This diagram demonstrates the relative power of the assemblers as they have multiple suppliers and a set of auto dealers who are dependent on their brands. Their relationship with the lower aspects of the commodity chain is much the same as the relationship between the lead firms in the clothing commodity chains and the lower nodes in that they enjoy a position of relational power due to their ability to determine what is manufactured as well as the cost of what is

[374] *Ibid.*
[375] Adapted from Veloso, F. (2000), pp13-14.

supplied. The difference in relation to the clothing commodity chain is that the assembler enjoys relative power over the retailers, dealerships who do not determine what is produced or where. This can be explained as the institutional legacy of Fordism, where the manufacturer is associated directly with the brand as compared to the clothing industry where the retailer is associated directly with the brand.

Having examined the basic anatomy of an automobile commodity chain I will now turn to a comparison of commodity chains in different regions to see if the various institutional nuances of different regions alter the dynamics of the commodity chains, and most importantly, the distribution of value to various actors in the commodity chain process. In terms of the way in which the automobile commodity chains operate it is interesting to note that, in both the clothing and automobile industries, German firms exercise more direct control over the production process than do their US counterparts. An example of this can be seen in the entry of Volkswagen and its suppliers into China. Despite the fact that local producers existed in China in many instances German suppliers of Volkswagen "set up wholly foreign-owned enterprises[376]." The limit to which the German suppliers were prepared to concede control over the establishment of suppliers in China was the establishment of joint ventures between the German suppliers and their Chinese counterparts[377].

The question remains as to what the resulting impact of these arrangements are in terms of the auto workers in China. To this Depner observes that as an institution the Chinese Communist Party plays a significant role in terms of the conditions of workers in the auto industry. Depner notes firstly that "larger joint ventures…all have an extra CP office[378]." In addition to this the Communist Party retains significant industrial control by acting as the "main decision makers

[376] Depner, H and Bathelt, H. (2005). Exporting the German Model: The Establishment of a New Automobile Industry Cluster in Shanghai. *Economic Geography.* Vol 81, Iss 1, p65.
[377] *Ibid.*
[378] *Ibid.,* p70.

on the Chinese side[379]" with Party Secretaries of the Chinese Communist Party making most of the main business decisions[380]. In this sense it is possible to reconcile this situation with the notion that the Chinese Communist Party is playing the role of the domestic capitalist and as such this is not a situation that would necessarily benefit the workers involved.

There are some situations however where workers have taken advantage of this institutional context to exert power. For instance Depner notes that "it also seems difficult to fire a worker for whatever reason if he or she is a member of the CP[381]." In this sense the CP is seen to play a quasi-union role. Additionally it is noted that "when a CP meeting is announced it has a high priority for the Chinese workforce. If the CP meeting conflicts with another, even one that was scheduled much earlier, the other meeting typically must be cancelled in favour of the CP meeting[382]." From this there are two points that are worth noting.

Firstly it is notable that the benefits in terms of control of the industrial process, and in terms of conditions of work, appear to be limited to the members of the Communist Party. As such they cannot be considered as universal amongst the workforce. For those fortunate workers who happen to be members of the Chinese Communist Party there seem to be obvious advantages which transfer into their working life. What is demonstrated by this example is that the Chinese institutional context, where joint ventures are set as the base condition by which the German-led commodity chain can utilize a Chinese workforce, also leads to a situation whereby the Chinese Communist Party acquires a relative degree of power over what occurs in this node of the chain. That the German partners in this firm are prepared to stomach such political impositions on their firm demonstrates that capital, at least in a commodity chain which is based on heavier levels of capital investment, is not so mobile and cannot move freely

[379] *Ibid.*
[380] Hoon-Halbauer, S. K. (1999). Managing relationships within Sino-foreign joint ventures. *Journal of World Business.* Vol 34, pp355.
[381] Depner, H and Bathelt, H. (2005), p.70.
[382] *Ibid.,*

when ‘ideal’ conditions are not met. Secondly despite the influence that this institutional factor has on ‘conditions’ of work, there is little to suggest that it would have an impact on wages.

In terms of the US a large part of the automobile industry has been based on parts supplied from Mexico, particularly since the North American Free Trade Agreement came into force. Prior to NAFTA, Mexican and US branches of the same companies, for example General Motors, operated parallel to one another[383]. As the effects of a debt crisis began to be felt in Mexico, the Mexican government and the Mexican auto industry progressively moved toward integration with the US market[384].

The unique geographic proximity of Mexico to the US enabled companies to set up assembly factories in Mexico close to the US border. The critical difference by comparison to the clothing industry is that in the case of the Motor Vehicle industry it is the parent company that is choosing the location of assembly factories within Mexico. Once the assembly factories had been established, what followed is what Rothstein refers to as ‘follow sourcing’. This is when producers at the lower ends of the commodity chain would locate themselves where the assembly factories were in order to cement their position as suppliers[385]. This was facilitated by the Mexican state through the provision of various subsidies and bonuses as well as infrastructure projects to assist GM’s suppliers in setting up factories in close proximity to the assembly plants[386].

The question remains as to what impact this entire process of change and development had on workers in Mexico, as well as what the situation of workers within the commodity chain is. Rothstein reports that workers in the automobile manufacturing regions of Mexico will earn anything from US$50 to US$175 per

[383] Rothstein, J. (2005), p60. .
[384] *Ibid.*
[385] *Ibid.,* p62.
[386] *Ibid*

week “depending on the company for which they worked[387].” Silao, the main automobile manufacturing region, would export more than US$7.6 billion dollars in cars and auto parts annually to the US. The situation in Silao provides a qualitative expression of the quantitative data considered in Chapter 2 on aggregate productivity of the Mexican automobile workers as easily the highest of the countries considered, both North and South. The high level of export value combined with the low levels of wages, and the particular style of the automobile commodity chain suggests that the majority of the value flowed to the parent company and to the subsidiary suppliers.

In addition to the distribution of value between factors in this commodity chain is the political impact these shifts had on workers. Rothstein noted that when the Mexican automotive industry shifted away from the traditional industrial heartland of Mexico City to the border with the US, the end result was to “escape the strong histories of union activism” and to handpick “unions that renounced labor militancy and were willing to…embrace globalization and labour-management cooperation[388].” The end result was to discipline the workforce even further and to “cede control of the shop floor to management[389].” This is a well established feature of US capitalism with manufacturers historically displaying a tendency to relocate production even within the US itself to states with a less significant union presence. Katz notes that this practice was established by General Motors in the 1970s when General Motors began to establish automobile plants in the Southern States of the US where the unions lacked history or presence[390].

[387] *Ibid.,* p64.
[388] *Ibid.,* p61.
[389] *Ibid.*
[390] Katz, Harry. (1997). Industrial Relations in the U.S. Automobile Industry: An Illustration of Increased Decentralization and Diversity. *Faculty Publications - Collective Bargaining, Labor Law, and Labor History.* Paper 35, p199.

When considering these four scenarios it was evident that the supplying (non-lead) firm was able to exercise greater influence when dealing with the German lead firms relative to the US lead firms. The primary reasons for this appear to be the institutional features of German capitalism and various mediating institutions in the country of the supplying firm. As previously discussed German firms are less responsive to short term stock market pressures and there is a desire to exert control of the process of production from start to finish and to have a relatively well trained workforce. In the case of both the garment company Sarar (through export subsidies) and the Shanghai subsidiaries of Volkswagen (through the forcing of joint ventures which allowed Chinese capitalists to retain value), various state-led institutions played a role in determining the development of the supplying firms. These factors enabled the supplying firm to capture a greater share of the overall value in both the garment and automobile commodity chains.

By contrast in both the garment and automobile commodity chains, the institutional features of US capitalism appear to be directly responsible for supplying firms capturing less of the overall value in their respective commodity chains. A division of labour whereby the US firm directly controls the critical stage of the production process, the design phase in the case of garment production or the design/assembly phase in the case of automobile production, and outsourcing the production of component parts leads to a situation where the lead firm captures greater value. From this it can be concluded that the greater the extent a supplying firm is able to work with the lead firm, as opposed to working ‘for’ the lead firm, the greater its ability to capture value in a commodity chain, and if the conditions are correct, to wrest control of the commodity chain from the lead firm itself as was the case with Sarar.

By examining each of the variables across the four case studies, it is possible to better understand which variables were more influential in leading to this outcome. The variables in question include the size of the lead firm, the power of the supplying firm/s, features of the market in the host country of the lead firm, institutions in the supplying firm and the level of control over the process of production exercised by the lead firm.

The size of the lead firm relative to the supplying firm determines the relative bargaining strength of the concerned firms and thus the amount of value captured by the bargaining nodes of a commodity chain. Table 9 compares the size of the lead firm and supplying firm. From this it can be seen that the dominance of the lead firm was greatest in the US garment case, but was also significant in the German automobile and US automobile cases.

Table 9 – Comparison between lead firm and supplying firm size

	German Garments	US Garments	German Automobiles	US Automobiles
Lead firm	Mid sized companies due to German zoning laws	Large retail conglomerates	Large automobile companies	Large automobile companies
Supplying firm/s	Mid sized supplying firm with domestic capacity (Sarar)	Small or very large suppliers dependent on domestic consumption	Joint venture between Volkswagen and Shanghai capital ventures	Small to mid-sized maquiladora production

The next comparison to be made is with regard to what can be termed the organizational characteristics of the lead firm, its way of doing business. If this

factor is significant then the corollary of this is that supplying firms, and policy makers supporting those firms, need to choose their trading partners wisely to achieve a better outcome. Table 10 compares the organizational characteristics of the lead firms in question. What is revealed through this comparison is that irrespective of the industry in question, German firms tend to prefer more direct control and supervision of the process of production. In the literature on commodity chains this is referred to as a producer driven commodity chain. By contrast US firms generally prefer not to get involved in the process of production. This most closely corresponds to a buyer driven commodity chain.

Table 10 – Comparison of lead firm organizational characteristics

	German Garments	US Garments	German Automobiles	US Automobiles
Lead firm institutions	Direct control/supervision of production (producer driven commodity chain) and emphasis on highly skilled/trained workforce	Pronounced division of labour, low skill workforce (buyer driven commodity chain)	Direct control/supervision of production (producer driven commodity chain) and emphasis on highly skilled/trained workforce	Pronounced division of labour, low skill workforce (buyer driven commodity chain)

The final variable to consider is the conditions of the host country of the supplying firm which is compared in Table 11. From this it is notable that in the case of both the commodity chains where a German firm was the lead firm there were supporting characteristics in the host country of the supplying firm. These came in the form of export subsidies and fire sale privatizations in Turkey, as well as the role of the Chinese Communist Party in ensuring job security for its members in Shanghai Volkswagen. By contrast the US automobile commodity

chain was typified by a preference for new investment sites in order to actively avoid the presence of militant trade unions.

Table 11 – Comparison of host country features in the supplying firm				
	German Garments	US Garments	German Automobiles	US Automobiles
Supplying firm host country characteristics	Government assistance, in particular export subsidies and privatized state owned firms	None noted	Chinese communist party force joint venture	Active avoidance of militant unions

From these comparisons conclusions can be drawn about the factors which tend toward being most conducive to the competitiveness of a supplying firm in terms of capturing greater value in a commodity chain. It is notable that the supplying firms which achieved the best outcomes were Sarar and the Shanghai Volkswagen joint venture. In each of the above examples, it has been demonstrated that these supplying firms held important advantages relative to the supplying firms where a US corporation was the lead firm. This was the case in terms of the features of the lead firm's market structure, the lead firm's organizational characteristics, and the market structure and supporting institutions which were present in the host country of the supplying firm.

In both the garment and automobile industry case studies, the observed tendency is one where favourable conditions that exist as a result of the market structure and organizational characteristics of the lead firms in Germany have been taken advantage of due to the existence of supporting institutions in the supplying firm countries which have boosted the competitiveness of the

supplying firms. By contrast the market structure in the US has generated large firms in a monopolistic position. The organizational characteristics of these firms correspond to a preference for buyer driven commodity chains, providing little opportunity for the supplying firm to involve itself in industrial upgrading. Finally there appears to be an absence of supporting institutions or favourable features in the supplying firm country which would assist the supplying firm. From this it is clear how Sarar and Shanghai Volkswagen were able to be more successful than their counterparts who supplied firms in the US.

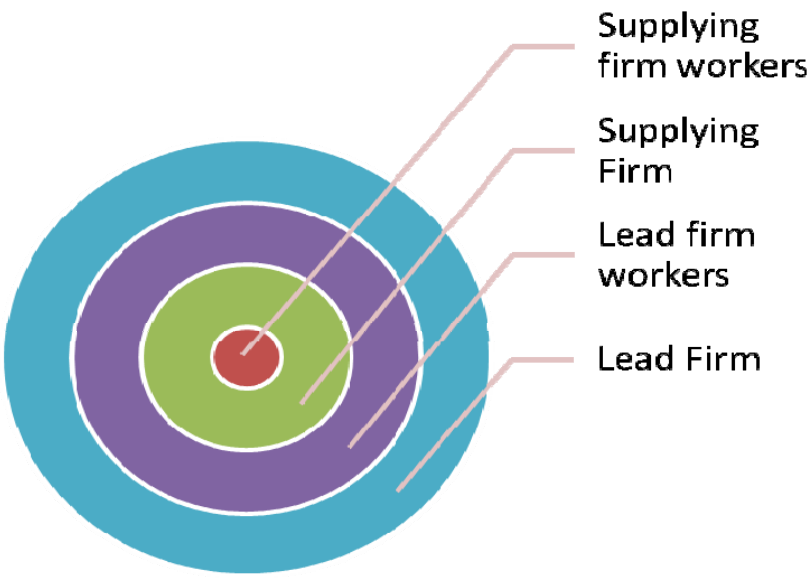
With regard to the workers involved in the various commodity chains, in each of the four case studies it was found that the workers' situation did not differ greatly as a result of the market structure that shaped the behavior of the lead firm. The example of the Chinese Communist Party in its dealings with Volkswagen while not benefiting the Shanghai Volkswagen workers as a whole, did demonstrate how an institution can improve working conditions in a setting where the supplying firm captures a significant portion of the value in a commodity chain.

The principal problem for workers in each of these four examples is that, with the exception of the Chinese Communist Party affiliated workers in the Shanghai Volkswagen example, the workers lacked any form of institutionalized power such as the presence of strong trade unions or domestic wage setting mechanisms which could lead to them to bargain for higher wages. Even in the Shanghai Volkswagen example, party affiliated workers were only able to use their power to gain job security rather than a direct increase in wages.

Here the important structural feature to highlight is that the supplying firm workers are not bargaining against the lead firm in the commodity chain, they are bargaining against their employer who is the supplying firm. Figure 4 illustrates the distribution of value within a commodity chain with the circle representing the total amount of value, and the concentric circles representing

the distribution of value between the various actors in a commodity chain. What can be concluded from this is that while supplying firms and their host country governments have a tendency to use the threat of capital flight as an argument for why wages should be kept low, as a rational employer the lead firm can be assumed to be indifferent to the level of wages paid to production workers insofar as the supply costs remain the same or at least more competitive than any other available option.

Figure 6 – Distribution of value in Commodity Chains



According to the understanding of value distribution within commodity chains presented in Figure 4, it is advantageous for workers in either the lead firm or the supplying firm to ensure the greatest possible share of value flowing to their firm as a result of commodity chain production. Following this the workers are able to use any power they have at their disposal to bargain for better wages and conditions.

In the four examples considered, it was clear that the production workers had very little bargaining power. A situation where the workers did have the

bargaining power with which to stake a greater claim for wages against their employer would arguably lead to a different outcome. In such a situation the workers in the commodity chains where a German company is the lead firm would, all other things being equal, be better off than their counterparts as the absolute level of value captured by the particular node of the commodity chain they are involved with would be greater. While workers in the commodity chains where a US company is the lead firm would still benefit from institutionalized power, their ability to improve their position is constrained by the relatively smaller amount of value captured by their node.

Conclusion

The conclusion that can be reached in this comparison is that there are a variety of factors which can influence the economic and non-economic outcomes of firms that are part of global commodity chains. Institutions appear to be able to play a particularly strong role in determining the relative degree of power exercised by the non-lead firms within a commodity chain. The examples of the role of the Chinese Communist Party in Shanghai Volkswagen and the unique story of Sarar and its relationship with Hugo Boss are illustrative of this point.

By contrast in terms of workers, there is little evidence that this exertion of local influence has led to any benefits in terms of wages for the production workers. Where the supplying firm has been able to capture greater value as against the lead firm these examples suggest that the supplying firms have been able to keep these gains to themselves. Institutional considerations appear to help determine the share between firms, however there appears to have been no institutions capable of influencing the share between capitalist and labourer. The ability of “industrial upgrading” to lead to better outcomes for workers is therefore called into question without corresponding institutions to regulate value distribution between labour and capital.

The case studies demonstrated the importance of institutions in determining the distribution of value within a global commodity chain. That the supplying firms dealing with German lead firms were able to take advantage of the market structure in Germany can be seen as fortuitous as there is little that workers or capitalists in Turkey or China could have done to alter institutions in Germany. What is more directly relevant however is that institutions in the domestic country gave the supplying firms the ability to capitalize on this situation and had an impact on the value distribution within the commodity chains. This appears to provide some scope for various actors in the supplying firm's country to engage in political action. Despite this it is likely that on a wider scale lead firms will continue to seek lower absolute costs placing pressure on both workers and capitalists in supplying firms. From this it seems likely that domestic institutions, while still playing an important role in mediating global commodity chains, will still be insufficient to mediate the global competition between supplying firms for lower production costs.

The conclusions reached thus far about the commodity chains and the role of institutions necessitates an examination of ideas about the relationship between institutions and workers' outcomes. This will facilitate a better understanding of the institutions that have been effective mechanisms in terms of securing better outcomes for workers on a national level and will inform an understanding of the common features that would be necessary in corresponding global institutions in order to have an impact on workers outcomes within a globalized capitalism.

While the case studies in this chapter demonstrated the importance of institutions in determining the outcome of value distribution along nodes of a commodity chain, it was noted that the workers in the supplying firms lacked means to effectively struggle for higher wages. This raises a number of major questions for this thesis, namely what institutions have been important for workers historically, which social forces were instrumental in the establishment

of these institutions, and is it possible to develop a framework to explain the lack of labour institutions in the global South.

Chapter 6 – Understanding National and Global Institutions

The previous chapter examined case studies of global commodity chains and identified the importance of institutions in determining value distribution outcomes along the global commodity chain. It also noted that in each of the case studies, despite variation in institutions between the countries hosting the supplying firms, there were no institutions supporting the production workers themselves. Given the role that institutions appear to play in determining outcomes in commodity chains, a closer examination of work that seeks to understand institutions as central to distributional outcomes is warranted. Of particular importance is to bring the discussion of institutions to a point that it is relevant to workers in the global South.

The literature on institutions comes from a variety of different approaches most importantly development studies, industrial relations and political economy. From the perspective of development studies the central figure from an institutionalism perspective is Rostow who I have discussed in Chapter 3. The most important aspect of Rostow's work to recall is the importance of institutions in enabling progression from one stage of Rostow's 5 stage model to the next. The corollary of this approach is that institutions become important factors for development and thus according to Rostow for the de-escalation of conflict between workers and capitalists and thus the declining demand for transformative social change. As I have previously discussed Rostow's theory at length, I will not repeat this discussion here.

Additional writers from the industrial relations perspective who have attempted to develop the connection between institutions and social peace include Kerr, Harbison, Dunlop and Myers. Their work mirrors Rostow both in that it sees

universal commonalities in development, but also a gradual evolution in society as a result of development that leads to the decline of industrial conflict[391].

There are a range of social institutions which these authors see as central to industrialization, development and the eventual decline of social conflict. Firstly the authors see industrialization as being contingent on the development of technology. As such, they see universities, research institutions and laboratories as critical features of a society that seeks to industrialize[392]. Secondly the authors stress the importance of a highly skilled workforce, meaning that educational institutions which are responsive to social and technological change are imperative[393]. Thirdly and most importantly for this section, the authors suggest that a series of industrial relations instruments must be established in order for industrialization to take place. This includes the institutionalization of a rules based industrial relations system for matters such as hiring/firing, compensation, intracompany transfers, retirement and workplace discipline[394]. Following on from this set of rules it is suggested that the final requirement for the institutionalizing of values such as a work ethic and a sense of responsibility for work tasks[395].

Notable about this theory of industrial relations is the teleological assumptions of the authors. Much like Rostow, they assume universal and uniform progress towards the eventual goal of a system of industrial relations and thus a corresponding decline in class conflict. The following passage demonstrates both these assumptions and the way in which the authors assume working life will develop in their imagined industrial future for all countries:

---

[391] Kerr, C., Harbison, F., Dunlop, J. and Myers, C. (1960). Industrialism and Industrial Man. *International Labour Review* Vol 82, Iss 3, pp237-238.
[392] *Ibid.,* p239.
[393] *Ibid,*
[394] *Ibid,*
[395] *Ibid,*

> "As a system of authority, management becomes less dictatorial in its labour policies. In all societies, of course, management cherishes the prerogatives of a rule maker. But others, such as the state and labour unions, also seek and gain a voice in the rule making process. As industrialization advances, they tend to limit, to regulate or sometimes even to displace unilateral authority of management over the labour force. As a consequence, dictatorial or paternalistic direction gives way to a kind of constitutional management in which the rules of employment are based on laws, decisions of governments, collective contracts or agreements[396]."

From this the critical institutional features which the authors imagine to be necessary for a society to distribute power and wealth are apparent. Firstly there is the assumption of a strong state which is able to intervene in industrial relations but do so in a way that is beneficial for both management and workers. Secondly there is the assumption that labour unions will rise and will able to exert influence in the industrial relations arena. The outcome of the coming together of managers, the state and labour unions is argued to lead to the formation of an industrial relations system which regulates industrial conflict between workers and management to the extent that this conflict begins to disappear[397].

The position that industrial conflict begins to disappear is not uncontested. Hibbs, Bordonga and Cella also add to this argument by claiming that the apparent decline in industrial conflict may be due to other factors such as the changing industrial patterns of labour markets to that of 'advanced democracies[398]'. As I previously noted in Chapter 4, the economies of the global North have moved away from production and are typified by non-productive service industries. This process is part of what Bordogna and Cella

[396] *Ibid.,* p244.
[397] *Ibid.,* p249.
[398] Lorenzo Bordogna and Gian Primo Cella. (2002). Decline or transformation? Change in industrial conflict and its challenges. *Transfer.* Vol 4. p605.

label as the tertiarization of conflict whereby changes "in productive sectors such as the car industry and textiles, the new international pattern of industrial production resulting from the globalization of markets, and the extraordinary growth of employment in the private and public service sectors" have occurred in the global North[399]. Bordogna and Cella argue that these changes give the appearance of a decline in industrial conflict, but that it is most likely the arena of conflict has simply changed from the factory floor to the office. They argue that a key challenge for the industrial relations systems in the North is to adjust to this changing character of work[400].

A separate argument against the notion that industrial conflict disappears as a result of institutions is made by Hibbs. While admittedly writing during a period of time when trade unionism was particularly strong in Europe, he argued that in countries where social democratic or labour parties were in power during the 1930s and the immediate post-war period, these governments were the architects of the modern welfare state[401]. He further argued that these societies are typified by high levels of taxation that result from the welfare state shifts the site of contestation of value from the labour market to the political process and thus what appears like a decline in industrial conflict is really just a shifted battleground[402].

What is interesting about the argument by Hibbs is that it is a tale of two patterns of institutions. On the one hand there are societies typified by the welfare state which grant workers greater incomes through the social wage[403]. On the other hand there are societies more typified by a market distribution mechanism, which according to Hibbs is characterized by institutionalized power

---

[399] *Ibid.,* p600.
[400] *Ibid.,* p606.
[401] Hibbs. D. (1978). On the Political Economy of Long-Run Trends in Strike Activity. *British Journal of Political Science.* Vol 8, p165.
[402] *Ibid.*
[403] *Ibid.*

from the working class in the form of trade unions[404]. Outside of Hibbs' paradigm however, sits the Scandinavian social democratic model where strong trade unions were directly involved in politics, and through this political engagement developed a capacity to become shareholders in firms[405]. Meidner notes that the goals of the Swedish model are "full employment and equality - and certain policy instruments Keynesian macroeconomic policy to achieve full employment and price stability, active labour market policy, the welfare state and solidaristic wage bargaining[406]." This is evidence of a much more interventionist role for unions in terms of government and society. Despite this what is common between the two approaches is that they are dependent on strong unions. Meidner notes that: "The condition for the existence and success of the Swedish model is the existence of a strong labour movement[407]." Along the continuum between social democracy and market measures are several examples of industrial relations systems all of which help to mediate the conflict between labour and capital and lead to better outcomes for workers than would otherwise be the case if they had no institutionalized power.

From the perspective of political economy the most important contribution to the role that institutions can play in generating better outcomes for workers comes from Walter Korpi. Korpi noted that the majority of institutionalist studies have emphasized three critical institutions which alter the balance of power between employers and employees, namely unemployment insurance, job protection legislation, and institutionalized wage setting procedures[408].

Central to Korpi's understanding of institutions is the idea that power and conflict within a labour market determine distributional outcomes. To illustrate this,

---

[404] *Ibid.*
[405] Meidner, Rudolf. (1989). The Swedish Labour Movement at the Crossroads: Interview with Rudolf Meidner. *Studies in Political Economy.* Vol 28, Spring, p16.
[406] *Ibid.,* p29.
[407] *Ibid.,*
[408] Korpi, Walter. (2002). The Great Trough in Unemployment: A Long-Term View of Unemployment, Inflation, Strikes, and the Profit/Wage Ratio. *Politics & Society*, Vol 30, Iss 3, p376.

Korpi quotes a 1943 edition of The Times in the United Kingdom in which it is written:

> "Unemployment is not a mere accidental blemish in a private enterprise economy. On the contrary, it is part of the essential mechanism of the system, and has a definite function to fulfil. The first function of unemployment (which has always existed in open or disguised form) is that it maintains the authority of master over man. The master has normally been in a position to say: 'If you do not want the job, there are plenty of others who do.' When the man can say: 'If you do not want to employ me, there are plenty of others who will,' the situation is radically altered[409]."

Following this line of argument, Korpi noted that the higher the level of unemployment in an economy, the worse is labour's share of gross domestic product[410]. As such institutions which target unemployment are seen as critical to maximizing the wage share of GDP.

For Korpi, critical to the establishment, maintenance and functioning of these institutions are trade unions and political parties with which these trade unions are closely aligned. As noted above Korpi observed that employers and employees held differing views on unemployment. In relation to this, he suggested that:

> "In democratic countries, we can expect this difference in priorities to become reflected in the collective actions of interest organizations and political parties. In policy making at the national level, left parties with more or less close relationship to trade unions and a working-class electorate

[409] *Ibid.,* p373.
[410] *Ibid.,* p397.

are therefore likely to give a higher priority to full employment than are centrist and conservative parties and employers' organizations[411]."

At this point it is useful to draw on the work of Polanyi in order to bring the thinking of the institutionalists into a historical context which has witnessed the attempts of people to detach the market from its embeddedness in society. Whereas both the classical and neoclassical traditions have argued that markets have always existed and that state intervention through conscious design was an unnecessary imposition that disrupts the efficiency of the market, Polanyi argued the opposite to be the case.

In Polanyi's view society and social institutions have always been central to human economic life with the market playing a mere auxiliary role[412]. According to Polanyi the disembedding of the market from society involves the creation of 'fictitious commodities' in the form of labour, money and land[413]. Polanyi argues that as a result of this, massive social distortions take place which undermine both market and society and that the society turns to institutions to protect itself from the unregulated market[414].

Emphasising the role of trade unions Munck writes from a Polanyian perspective and quotes A.V.Jose's introduction to *Organized Labour in the 21st century* by the ILO suggesting that: "unions influenced social policy and assisted the development of institutions to regulate markets[415]." Munck's Polanyian perspective begins from the position that in the early 20th century the attempt to formulate a self-regulating market by disentangling the market from the social and political led to a response from those actors most adversely affected by the

[411] *Ibid.*
[412] Polanyi, Karl. (1957). *The Great Transformation.* Beacon Press: Boston, p68.
[413] *Ibid.,* p72.
[414] *Ibid.,* p71.
[415] Munck, R. (2004). Globalisation, Labor and the Polanyi Problem, or the Issue of Counter-Hegemony. *Labor History. Vol* 45, Iss 3, p264.

disembedding process[416]. Trade unions as a result of this struggled to eventually regulate the market, and helped to develop the institutions to which Jose refers in the abovementioned passage that would re-embed the market within a social and political framework[417].

The extension of Munck's argument is that the process of globalization would be responded to by social actors attempting to regulate the global market. Munck sees trade unions as being critical social actors in regulating the global market, but within frameworks such as the international trade union movement[418] and the World Social Forum[419]. Subsequent chapters will devote attention to these aspiring regulators of the global market and as such I will not go into further detail here, however it is suffice to say that Munck sees nationally based trade union movements as critical parts of the global whole[420].

What is clear from all of these examples is that irrespective of the specific type of institution, in each of these cases the importance of institutions which mediate the outcomes of capitalism are stressed. These institutions can either operate during the industrial process itself such as in the case of industrial relations systems, or after the industrial process in the form of the welfare state. From the perspective of workers achieving a greater share of value than the market would otherwise provide, these are two roads that lead to the same destination. The real question for this thesis however relates to the relevance of a discussion of institutions for the global South.

To recapitulate the discussion on institutions, the following passage from Regini encapsulates the basic argument of the institutionalist perspective that:

---

[416] *Ibid.,* p252.
[417] *Ibid.*
[418] *Ibid.,* p261.
[419] *Ibid.,* p260.
[420] *Ibid.,* p262.

> "pre-existing institutions play a key role in shaping responses to exogenous factors by acting as a filter or intervening variable between external pressures and the responses to them. The institutional context, in fact, provides actors with a set of resources and constraints that they must necessarily take into account when choosing among different alternatives and consequently shapes their actions[421]."

It is from this position that an understanding of the conditions faced by labour in the global South is made possible.

There is a central point of discord between the institutionalist perspectives that have been reviewed and the realities of the global South are due to the different historical developments in the global North and the global South. Korpi notes that the social insurance institutions emerged against "the backdrop of the emerging threat to existing societal structures when socialist labor movements in Europe struggled to make industrial workers define their interests, identities and values in terms of class, and to mobilize the dependent labour force for broadly based collective action reflecting their shared position on the labour market as wage and salary earners[422]."

Outside of Europe the above authors have also noted the critical role that the trade union movement was able to play in the development of institutions that helped to mediate the forces of capitalism and distribute value to the workers in the global North. The problem with extrapolating such an analysis to the global South is dual fold. Firstly that with the advent of global production, global competition and a global labour market the historical conditions for creating such institutions in the global South have ceased to exist (if indeed they ever existed with the majority of South countries emerging from a different historical

[421] Regini, M. (2000). Between Deregulation and Social Pacts: The Responses of European Economies to Globalization. *Politics and Society.* Vol 28, No 1, p8,
[422] Korpi, Walter. (2001). Contentious Institutions: An Augmented Rational-Action Analysis Of The Origins And Path Dependency Of Welfare State Institutions In Western Countries. *Rationality and Society.* Vol. 13 No. 2, p251.

legacy than the countries of the North). Secondly that the trade union movement in the global South is not comparable in stature to that of the global North even during the period of globalization where unions are regarded as being most on the defensive, let alone comparable to the early and mid 20th century where unions in the global North were at the zenith of their strength.

One of the key factors limiting the ability of workers and/or unions to grow as institutions and to bargain for better wages and conditions are competing regions regulated by industrial relations regimes that are more appealing to transnational capital. In theory if workers organizations across borders could act collectively and state collective demands, it would be possible to achieve better conditions. However in a situation where a workers' organization of a particular industry in one country finds itself to be bargaining, and there is a competing location for investment where labour rights are severely repressed, it greatly limits the ability of that organization to bargain for better wages and conditions unless there is some kind of other advantage.

It is unsurprising that understandings of institutions have been largely limited to the global North. The history of the late 19th and early 20th century as demonstrated by many of the above authors discusses numerous institutions which arose out of the industrial and political conflicts of the time. By contrast it appears that few such institutions have emerged in the countries of the global South, explaining why little work has been done in relation to institutional analysis of the global South.

An important exception to this general trend is provided by Moseley who using the case study of Costa Rica, sought to examine the extent to which domestic political institutions could mediate the pressures of globalization. Moseley can clearly be identified as part of the institutionalist tradition as she notes that in relation to workers outcomes as a result of globalization, "the key question,

then, is how and to what extent this set of pressures is mediated by domestic political institutions and histories[423]."

One of the key responses to the phenomenon of globalization is the thesis of a 'race to the bottom'. The idea that competitive pressures of institutionalized patterns of distribution within a given region have a role to play in determining labour outcomes is supported by Moseley who has noted "the average level of labor rights in a nation's geographic region is associated significantly with a country's labor rights score[424]." This suggests that if other factors, such as distance to the target country and level of economic development are relatively equal, that there is convergence with regard to labour outcomes.

In practical political terms, one of the great millstones around the necks of global labour is the existence of and the vast supply of labour from economies, the defining feature of which is repression. In commenting on the situation in post-reform China, Jehangir Pocha summed up by saying China offers "…global investors the unique combination of nineteenth century business practices and twenty-first century infrastructure…[425]." stating that this combination had won China over US$800 billion in foreign direct investment since 1979.

China is by no means the only example of an economy whereby a culture of repression exists although as the largest contributor to the world's workforce it is definitely the most significant. Nor is it a requirement for labour rights to be absent, and independent trade unions illegal for a country to be subject to the same set of circumstances. In using the idea of a repression economy to understand the negative weight an individual country has on wages and conditions in competing countries, it is best to understand the process as a

[423] Moseley, Layna. (2008). Workers' Rights in Open Economies. Global Production and Domestic Institutions in the Developing World. *Comparative Political Studies.* Vol 41, Iss 4/5, p675.
[424] *Ibid.,* p679.
[425] Pocha, Jehangir. (2007). One Sun in the Sky: Labor Unions in the People's Republic of China. *Georgetown Journal of International Affairs;* Winter 2007; Vol 8, Iss 1, p6.

relative one which encapsulates the multitude of experiences faced by workers from country to country. As such it is consistent with this understanding that countries such as the Philippines which are formally democratic and have legislation supporting trade unions to be considered affected by repression given violence against trade unionists. The corresponding effect of limiting the actions of the trade unionists is then felt on the ability of workers in the Philippines to advance their wages and conditions, which then drags down the rest of the world in terms of the competitive benchmarks.

Despite the prevalence of fatalist 'race to the bottom' arguments which would suggest that there is no way out of the competition and repression which characterizes so many economies, there is evidence to suggest that domestic decision making and institution building can act as a viable counter-weight. This perspective is best summed up by Moseley who suggests that "the effects of export competition likely depend on the ideological orientation of the government and on the strength of the organized labor movement[426]."

Moseley outlines a framework with four domestic variables that can greatly influence conditions for labour. The first of these is political competition and coalitions. Drawing heavily on institutionalist literature, Moseley shows that the chances of improved conditions for labour have proven to be far greater in situations where there is some form of competitive political framework, and where left parties have been in power or hold a share of power[427]. Conversely in authoritarian frameworks or places where right parties have been in or hold a share of power, this situation is more often associated with deleterious conditions for labour.

The second variable in the Moseley framework is that of political constraints. Moseley argues that:

[426] Moseley, Layna, p680.
[427] *Ibid.,* p681.

> "the existence of a higher degree of political constraints (operationalized as veto players and including the size of legislative coalitions; the ideological distance among coalition members; the ideological similarity between the executive and legislative branches; the political authority of subnational units; and the number of legislative chambers) can render changes in existing laws less likely[428]."

The greater number of political forces in any political formation that can veto changes, the less likely a situation is to change. From the perspective of labour this means that where historically there has been repression of labour rights, there is inertia to overcome in terms of establishing rights and institutions. It also means that a critical political issue for labour becomes the management, engagement or elimination of veto players within the political formation which are opposed to its interest, as well as the expansion of its own veto powers wherever possible.

The third variable in the Moseley framework is the economic and political strength of organized labour. Unsurprisingly Moseley links the economic and political strength of organized labour with better labour outcomes. Specifically she draws on literature in the field to note that well established links between unions and political parties leads to policy positions from left governments where rights and conditions are improved with the state playing a central role in mediating the forces of globalization[429].

The fourth and final variable in her framework is labour market conditions and the structure of an economy. This involves the relationship between unemployment and the power workers have to impose demands on government and business. Tight labour markets lead to greater levels of union recruitment

[428] *Ibid.,* p682.
[429] *Ibid.,* p683.

(improving variable 3) as well as having the effect of government and business being more likely to accept the demands of labour in some form when pressed. Conversely when there is high unemployment, workers are far more likely to accept the conditions imposed on them. Moseley makes special mention of the conditions in South countries, suggesting that ahead of the official unemployment rate the size of the labour supply in the informal sector is a major factor in determining the power of workers[430].

In addition to the rate of unemployment and the size of the informal sector in an economy, Moseley pays attention to the structure of the economy as something that has an indirect effect on the bargaining power of workers. As a general rule she suggests that "nations with large agricultural and service sectors, then, will experience lower levels of collective labor organization and fewer demands for respect for collective labor rights, all else equal[431]." With most South countries having large agricultural sectors this is a particularly important point to consider.

The final aspect of labour market conditions considered by Moseley is the type of production that is taking place. Moseley contends that when labour costs make up a high percentage of the total cost, such as in industries like garments and textiles, it is more difficult to exert power relative to other industries due to the ease for capital to shift production[432]. Industries which are more capital intensive give workers more bargaining power due to their wages forming a much smaller part of the overall cost of production. Moseley also noted that industries that are more labour intensive are far easier to shift to more favourable locations, meaning governments and workers are more compliant to the whims of capital and as a result labour outcomes are worse[433].

[430] *Ibid.,* p684.
[431] *Ibid.,*
[432] *Ibid.,*
[433] *Ibid.,* p685.

While Moseley's propositions are useful in terms of understanding the domestic politics of labour, when considering the politics of global labour the basic framework of her work remains a valid lens when making an assessment of global labour conditions, but also in terms of devising global labour strategies. Taking the first variable of global political conditions, it is relatively easy to make an assessment on a global scale. With the first variable being a competitive political framework, the obvious lack of a global political structure means that the first condition which is conducive to the advancement of labour conditions does not exist in the world today. As such the formation of global political structures seems a key factor in challenging capital in the 21st century.

On a more international level the level of democracy within existing nations is also a problem for the global labour struggle. As previously mentioned China alone makes up one sixth of the world's population and is by far the largest contributor to the global labour supply. The repression of a labour force this size has an effect far beyond Chinese borders, most notably on other South countries. Other countries where democratic institutions are weak or corrupted economically or by paramilitary interference also add to the total repressed labour force on a global scale. Not only does this affect the workers inside those particular 'repressed' countries but it undermines the conditions of their fellow workers in relatively 'freer' countries due to international competition. The majority of the world's labour force, particularly in the global South, is therefore affected by repression in some way. This has a concentrated effect on the global political economy.

The second variable concerning political constraints can also be examined on a global scale. In the absence of a global state, it is important to look at who holds power in the global market and in particular who in the global economy holds a veto power. In the absence of global regulations, global capital can be said to have some kind of veto power given its mobility. In addition to this, concerning manufactured goods, the 'consumer' societies have a veto power in

the sense that they have an ability to vote with their wallets in order to circumvent the higher labour costs which may be associated with better wages and conditions within national regulatory frameworks thus limiting the level of value that can be captured by suppliers in a commodity chain. It can also be argued that economies with authoritarian political systems, especially the large ones like China, have a veto power in the sense that they can more easily avoid global efforts to raise standards in order to exploit a comparative advantage.

The third variable concerns the economic and political strength of organized labour. In this sense a global assessment is particularly dim with a declining union movement in the global North and a relatively unorganized labour force in the global South. With regard to the institutional linkages these unions have with political parties and the state, the union movement in most of the global South is usually associated with minority parties. There are important exceptions such as South Africa and various countries in Latin America where there is a strong association between unions and incumbent political parties, though these represent a small minority in terms of the global labour force.

With regard to the fourth variable of labour market conditions, it is again possible to make an assessment of the global political economy in terms of the conditions outlined by Moseley. Moseley contends that tight labour markets are conducive to organizing and bargaining success, and that conversely a labour market characterized by high levels of unemployment and underemployment would have an adverse effect on the attractiveness of unions, as well as their ability to bargain for better conditions[434]. With the United Nations making a conservative estimate of 200 million unemployed globally in 2007[435], it is entirely plausible that unemployment is a key factor in the politics of global labour in that it diminishes the institutional power of unions. It is also notable that this

[434] *Ibid.,* p684.
[435] UN News Centre. (2007). *Global Unemployment Remains at Historic High Despite Strong Economic Growth – UN.* Available from: http://www.un.org/apps/news/story.asp?NewsID=21335&Cr=unemployment&Cr1 [Online] Last accessed: 31 October 2010.

unemployment figure predates the 2008 global financial crisis, meaning at the time of writing this thesis, this factor is even more significant than it was in 2007.

In addition to the level of unemployment Moseley noted that the size of the informal sector in a developing economy was a particularly important factor in conditioning the organizing and bargaining success of unions. In 2002 Schneider, writing for the World Bank, estimated the average percentage of the informal sector relative to the total South country economies was 41%[436]. By comparison the average percentage of the informal economy relative to the total economy in OECD countries was 18%. This figure can be considered inflated given that the OECD includes some South countries such as Mexico and Turkey. On a global level therefore, and in the global South in particular, the size of the informal sector is an important factor in determining the conditions in which workers organize and bargain.

The final factor considered in relation to labour market conditions concerns the structure of the economy. Moseley noted that workers in the agricultural and services sectors, all other things being equal, are less likely to organize and are less militant in their attempts to achieve collective labour rights with the converse being true for workers in the manufacturing and public sectors. In the global South where the majority of the workforce is employed in agriculture or the services sector, the impact of the structure of the economy on the ability of workers to organize and bargain is considerable.

In addition to this the composition of skilled relative to unskilled workers in an economy was raised, with it being noted that a situation where unskilled workers (or labour intensive production) are (is) in greater number than skilled workers (capital intensive production) in an economy is associated with a situation whereby labour outcomes are relatively worse. With regard to the global South

[436] Schneider, Freidrich. (2002). *Size and Measurement of the Informal Economy in 110 Countries around the World.* Workshop of Australian National Tax Centre, ANU, Canberra, Australia.

there are two important points to note. Firstly an overwhelming majority of the workforce are unskilled labourers. Secondly particularly in light of export-led development policies, the majority of industry growth in the global South as well as the majority of competition between countries has come in the form of competition between labour intensive industries. In relation to this issue therefore the prevalence of labour intensive production as well as the dominance of an unskilled labour force constitute major issues conditioning whether or not workers are able to successfully organize and bargain as these issues help determine the political strength of labour.

This raises two issues firstly the supply of skilled workers and secondly the economic conditions and policy settings that generate specialization in certain types of production. With regard to the supply of skilled workers what is more problematic than the simple ratio between skilled and unskilled workers in the global South are indications that this gap is widening particularly in India[437] and China[438]. This has implications not only for the workers in the countries concerned but, given the sheer number of workers present in those countries, it has implications for unskilled workers throughout the global South.

In terms of policy settings, as discussed in Chapter 3, the conventional policy wisdom since the 1980's has been in favour of labour intensive export-led development. In considering the trends in the economic structure of South countries these policy settings are conducive to a situation whereby a progressive increase in the number of unskilled workers, coupled with stable or declining North country consumer demand (both resulting from demographic changes) lead to declining outcomes for workers in the global South.

[437] Surowiecki, James. (2007). India's Skills Famine. *The New Yorker.* Available from: http://www.newyorker.com/talk/financial/2007/04/16/070416ta_talk_surowiecki [Online] Last accessed: 31 October 2010.
[438] Arnold, Wayne. (2006, February 28). Not all roads lead to China. *New York Times,* ch1.

When applied to the global political economy as a whole, and when stressing the difference between North and South country economies, the Moseley paradigm provides a multifaceted framework with which to understand several important conditioning factors in relation to the global political economy. This represents an advance in the sophistication of thinking in terms of globalization over the 'race to the bottom' argument which relies on international competition and capital flows as the single determining factor for economic outcomes.

Conclusion

A number of conclusions can be drawn from this analysis in terms of the political challenges faced by workers in the global South, but also of the outcomes which are required in order to disentangle the web of factors that lead to a perpetuation of the existing working conditions. In recalling the four key factors in the framework, global political conditions, global political constraints, political and economic strength of organized labour and global economic structure, a few central issues become apparent.

Firstly on a global scale organized force from any individual nation state is a global problem. It is difficult to make progress on an individual nation-state basis or even a collective basis without addressing the problem of repression economies as an attempt to win greater pay and conditions which raises labour costs will, all other things being equal, lead to those repression economies increasing their advantage on the global market.

Secondly it is apparent that strategies need to be in place in order to sufficiently tackle the issue of veto players on the global political stage. Critical veto players for the workers in the global South include the North country consumer, and the global capitalist class. A response to this situation would need to be broadly based throughout the centres of production so as to disable this veto power.

Thirdly with political and economic strength of unions being an important factor, union building becomes an important goal. In addition to this the union movement in any particular country has a vested interest in promoting the union movement in an export competing country and developing global linkages on this basis.

Fourthly considering the evidence on linkages between economic structure and labour outcomes a number of issues require attention. It is important that unions play a positive role in helping to determine the structure of the global economy, a matter which is closely linked to the political and economic strength of unions. Without a way of addressing the informal sector, the growth of unskilled relative to skilled labour, the promotion of labour intensive as opposed to capital intensive production and the promotion of export led 'development' over domestic market development, it is unlikely that progress on labour outcomes can be made due to the wide range of institutionalized political interests which workers confront.

Perhaps the most important conclusion that can be made as a result of this analysis is institutional power is the central factor which determines the ability of workers to capture and maintain economic benefits as well as labour rights. This conclusion brings the focus of analysis to those actors and institutions which are attempting to mediate the pressures of the global market.

Recalling Munck's Polanyian framework for understanding globalization, Munck noted that the response to the attempt to establish a self-regulating market in the 20th century was the rise of social forces that were successfully able to reembed the market within a social and political framework. Munck suggested that in response to globalization a series of global actors were beginning to play this role, namely the ILO, the international trade union movement (formerly the International Confederation of Free Trade Unions and now the International

Trade Union Congress)[439], the international trade secretariats (now known as Global Unions)[440] and the various actors of the World Social Forum[441]. The subsequent chapters of this thesis will evaluate these institutions and social actors in terms of their ability to perform the Polanyian role assigned to them by Munck, to reembed the global market in society, and in particular to improve conditions for labour in the global South.

[439] Munck, Rolando. (2010). Globalization, Crisis and Transformation: A View from the South. *Globalizations.* Vol 7, Iss 1. p264.
[440] Ibid. p260.
[441] *Ibid.,*

Chapter 7 – International Labour Institutions: The Legacy of the 20th Century

Having taken into account the various theoretical positions which stress the importance of institutions in determining the outcomes of labour, this chapter seeks to examine institutions that can be seen as representing global labour, or at least representing workers on an international scale and thus covering part of the global workforce. Much as institutions are seen as forces that mediate the contradiction between labour and capital, this chapter acts as a link which mediates between the empirical outcomes discussed in first chapter, and the subsequent theoretical discussion. By examining the various institutions that act on behalf of workers on a world scale, and evaluating the impact that these institutions have in the context of the global struggle between labour and capital, it will be possible to reach a conclusion as to whether institutions or the lack thereof are a significant factor in relation to workers of the global South and their suboptimal labour outcomes in relation to workers of the global North.

A central question for this thesis is the question of global solidarity between workers. As such this section will also evaluate the extent to which the various workers' institutions advance or detract from efforts to promote linkages between global workers in order to have some impact on the power of global capital. A broad view will be taken in terms of the institutions selected for discussion. Some such as the International Labour Organization (ILO) have as their central organizing principles the goal of amelioration of the most negative effects of capitalism. Others such as the union internationals predominantly seek better wages and conditions for the workers they represent irrespective of what the global system may be.

The first institution discussed in this chapter is the ILO. This will involve an overview of the workings of the ILO followed by a discussion of efforts in the final quarter of the 20th century and early 21st century to improve conditions for labourers worldwide through the promotion of labour standards in association with trade, as well as the Decent Work agenda. An overview of the ILO's history in the 20th century will be carried out to provide the historical context from which the ILO has emerged. Following this an assessment of the effectiveness of a number of ILO campaigns and of the ILO generally as an institution to support labour will be carried out.

After the analysis of the ILO, the international manifestations of the trade union movement will examined through a critical evaluation of the International Trade Union Confederation (ITUC), formerly the International Confederation of Free Trade Unions. This section will begin with a history of the various union internationals which have been internationally prominent in the 20th century. This section will then examine a case study of ITUC strategy in the campaign to link trade and labour standards at the World Trade Organization (WTO). This campaign has been selected to highlight the shortcomings in the ITUC, in particular its way of handling the differing needs of the North and the South.

These institutions have been identified as relevant for examination due to their importance as labour related institutions in the 20th century which continue to exist at the time of writing this chapter. Both the ILO and the ITUC attempt to influence developments in an increasingly globalized world. In deciding whether or not workers in the global labour force, and in particular in the global South, should look to the ILO and ITUC, should look beyond the ILO and ITUC, or a combination of both, it is necessary to evaluate the effectiveness of these prevailing institutions. This will be achieved through an examination of the goals these organizations have set for themselves in the 1990s and the 2000s to assess the appropriateness of these goals and the extent to which these institutions have achieved them.

Following the analysis of the ITUC will be a discussion of the UN Global Compact, an attempt by the United Nations to reach a voluntary agreement with the worlds transnational corporations as to human rights and labour standards. In addition to the UN global compact, I will look at the International Framework Agreements, a set of agreements that have been signed between transnational corporations and international union federations, as a vehicle for the improvement of workers' wages and conditions.

International Labour Organization

As an institution dedicated solely to labour issues the ILO stands alone as having the international legitimacy that comes as a result of being part of the United Nations apparatus. The ILO is the only tripartite organization in the United Nations, with each member state contributing two government delegates, one workers' delegate and one employers' delegate to the International Labour Conference which meets annually in Geneva[442]. The International Labour Conference is responsible for the establishment of international labour standards, but also elects the executive council of the ILO, the Governing Body[443].

The ILO Governing Body meets three times a year and decides on the policy of the ILO as well as developing the ILO budget for approval by the International Labour Conference[444]. The ILO Governing Body is made up of 28 government representatives (of which 10 are reserved for the states of "chief industrial importance"), 14 worker representatives and 14 employer representatives[445].

[442] International Labour Organization. (2010). *How the ILO Works.* Available from: http://www.ilo.org/global/About_the_ILO/Structure/lang--en/index.htm [Online] Last accessed: 31 October 2010.
[443] *Ibid.*
[444] *Ibid,*
[445] *Ibid,*

Immediately it can be seen that despite being a body of national representation created to establish labour standards in the international arena, the ILO is as limited by its tripartism as it is empowered by it. It is clear that even if all worker delegates were to act in concert in the ILO, they would only constitute at best 25% of the votes in the International Labour Conference, a presence that is balanced by the employer delegates having the same representation.

The ILO is the oldest organization in UN history with a legacy that dates back to 1919 as one of the creations of the Treaty of Versailles and the now defunct League of Nations. The creation of the ILO can be related to the historical context that involved the end of the First World War and the Russian Revolution. The ILO's own version of its history suggests that one of the motivations for the creation of the ILO was political suggesting that "Without an improvement in their condition, the workers, whose numbers were ever increasing as a result of industrialization, would create social unrest, even revolution. The Preamble notes that injustice produces 'unrest so great that the peace and harmony of the world are imperiled[446].'" In addition to this, they suggest there was a humanitarian motivation, in relation to the conditions that most workers in the industrialized world found themselves in.

Finally, and interestingly from the point of view of this thesis, the ILO's official history notes the need for simultaneous international social reform as the only kind of reform that makes a difference in the international economic arrangements. They note that "Because of its inevitable effect on the cost of production, any industry or country adopting social reform would find itself at a disadvantage vis-à-vis its competitors[447]." The Preamble states that, "the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries[448]."

[446] International Labour Organization. (2010). *ILO History.* Available from: http://www.ilo.org/public/english/about/history.htm [Online] Last accessed: 31 October 2010.
[447] *Ibid.,*
[448] *Ibid.,*

This particular standard will be important in terms of the evaluation made of the ILO in this thesis.

The ILO was formed with the influence of a number of social forces. Ruotsila and Van Daele suggest "social reformist intellectuals" were critical to the foundation of the ILO, while Shotwell emphasizes the role of governments[449], and Tosstorff emphasizes the role of trade unions in pressurizing governments "to include a social-policy programme in the peace treaty after the war[450]." Irrespective of the debate about which actors were central in the formation of the ILO what is clear is that it was the product of a historical period where the various world powers were in favour of reform, but were also afraid of revolutionary change such as had recently taken place in Russia[451] [452]. Van Daele notes that the political networks of the reformist Second International, an international organization of social democratic and labour parties, were "a decisive factor in the institutionalization of international labour politics[453]." Of the four representatives representing labour during the Paris peace process, three of the four were ex-members of the Second International, Emile Vandervelde (Belgium), Arthur Henderson (UK) and Albert Thomas (France) who would go on to become director of the ILO from 1920 to 1932[454]. During this period the ILO constructed and gave international legitimacy to a model of national social reform[455].

---

[449] James T. Shotwell (Ed.). (1934). *The Origins of the International Labor Organization*. New York.
[450] Tosstorff, Reiner. (2005). The International Trade Union Movement and the Founding of the International Labour Organization. *Assen.* Vol 50, p400.
[451] Butler, Harold. (1950). *Confident Morning.* London: Faber and Faber, p175.
[452] Cox, Robert. (1977). Labour and Hegemony. *International Organization.* Vol 31, Iss 3, p387.
[453] Van Daele, Jasmien. (2005). Engineering Social Peace: Networks, Ideas and the Founding of the International Labour Organization. *International Review of Social History.* Vol 50, Iss 3, p435.
[454] *Ibid.,* p441.
[455] Van Daele, Jasmien. (2009). Industrial states, policy preferences and international networks. Belgium as a case study of a transnational history of the ILO. *Transnational social policies. Reformist networks and the ILO 1900-1980.* Conference 7-9 May 2009, Geneva, p1.

The initial membership of the ILO consisted of Belgium, Cuba, Czechoslovakia, France, Italy, Japan, Poland, and the United Kingdom. The US was also influential in the foundation of the ILO but did not join as a member state until 1934[456]. Representatives of these countries were responsible for the drafting of the first six ILO conventions concerning "hours of work in industry, unemployment, maternity protection, night work for women, minimum age and night work for young persons in industry[457]." Immediately after the ILO succeeded in creating these conventions however, the member countries of the ILO drastically reduced its funding on the basis of criticisms that there were too many ILO conventions, that the ILO was too critical of the existing state of affairs and that the budget of the ILO was too high[458].

It was the context of the great depression and the Second World War in which the ILO experienced resurgence. Evidence of this can be found in terms of the 1944 Declaration of Philadelphia which sets out the broad goals of the ILO. The declaration emphasized combating poverty and want, achieving full employment, raising living standards and ensuring a number of rights including freedom of expression and association[459]. The declaration also declared that "labour is not a commodity." As such, the declaration can be seen as a social democratic manifesto, particularly when contrasted with the neoliberal position that sees labour as a commodity and labour rights as rigidities which distort the 'natural' process of the market determining levels of wages.

The contexts of decolonization and post-war reconstruction were critical to the development of the ILO after the end of the Second World War. Decolonization led to the creation of a large number of new nation states who would become involved in the international arena, whilst the need to maintain social peace

[456] Ostrower, Gary B. (1975). The American Decision to join the International Labor Organization. *Labor History*, Volume 16, Iss 4, p495.
[457] International Labour Organization. (2010). *ILO History.*
[458] *Ibid.*
[459] Valticos, Nicos. (1996). The ILO: A Retrospective and Future View. *International Labour Review.* Vol 135, Iss 3-4, p476.

through post-war reconstruction reemerged as a central feature of the ILO in a way that was similar to its inception. From 1948 to 1970 the number of countries involved in the ILO doubled, with the ILO's budget quintupling and the number of ILO staff quadrupling[460]. This period can be seen as the zenith of the ILO as an organization.

The high point of the ILO's history is associated with the period of dominance enjoyed by the Keynesian economic paradigm in the post Second World War period. During this period the ILO was able to be influential in the global North on the basis of its model of a strong regulatory state which would provide social insurance and a stable, fully employed labour market[461]. This is exemplified by ILO convention No 122 which was created in 1964 which committed ratifying countries to having "an active policy designed to promote full, productive and freely chosen employment[462]." Standing, a long time member of the ILO and director of the Socio-Economic Security program from 1999 until 2006, argues that the period following this was a period in which the ILO experienced a decline as an organization.

In 1969 the ILO was awarded the Nobel Peace Prize for the promotion of peace through social justice. It was at this point that the fundamental weakness of the ILO was revealed when the US, whose contributions equaled a quarter of the ILO budget, ceased payment to the ILO before withdrawing altogether in 1975[463]. According to Standing the US withdrawal was motivated by four key factors.

Firstly it was argued that the representatives from the Soviet bloc were not tripartite and were all answerable to the relevant government in contravention of

[460] International Labour Organization. (2010). *ILO History.*
[461] Standing, Guy. (2008). The ILO: An Agency for Globalization? *Development and Change.* Vol 39, No 3, p358.
[462] *Ibid.,* p359.
[463] *Ibid.*

the ILO constitution[464]. Secondly the US felt the ILO singled out particular countries (aligned with US geopolitical interests) for criticism. Thirdly they argued that the ILO adopted resolutions to the effect of criticizing some countries as against others, and that this constituted a violation of due process. Finally the US suggested that the ILO had become too 'political' in particular by supporting the rights of Palestinian workers. In addition to these reasons, the US withdrawal coincided with the ideological shift in the US toward neoliberalism, a political philosophy that was fundamentally at odds with the social protection agenda of the ILO[465].

The US withdrawal highlighted a fundamental weakness in the ILO as due to its dependency on nation states for funding and the unequal level of donations made, the ILO was able to be held captive to the US, its largest donor. The ability for a hegemonic power such as the US to exert such influence on the ILO needs to be weighed into an evaluation of the ILO's ability to adequately achieve its objectives. The ability of any single nation to so disrupt the ILO suggests that it is fundamentally fragile. As an institution it appears vulnerable to be trapped by the national interest of any nation, such as the US, which can exert pressure in such a manner. Joyner notes in particular the link between the decision made by the US to withdraw from the ILO and the pressure from organized labour in the US in the form of the AFL-CIO to withdraw, but also pressure from the United States' Chamber of Commerce[466]. The US withdrawal is thus an example of how the ILO fell prey to the desires of an individual North country's labour aristocracy and capitalist institutions.

Standing argues that following the US withdrawal and the global trend toward neoliberalism in the 1970s and 1980s, the actions of the ILO exemplified its failure to respond to the challenge of globalization. A former director of the ILO,

[464] *Ibid.,* p360.
[465] *Ibid.*
[466] Joyner, Christopher. (1978). United States' Withdrawal from the ILO. *International Lawyer.* Vol 12, No 4, p734.

Emmerij, suggests that the basic needs approach, an approach to development which prioritizes the meeting of minimum physiological needs as a development strategy[467], was based on the thinking of US psychologist Abraham Maslow. In 1976, this thinking was presented largely as a program that involved global economic growth of about 6%, linked to redistribution of wealth on the basis of this growth[468].

From the ILO's perspective the basic needs strategy translated into a view of labour that stressed the creation of employment in order to sustain basic physiological needs[469]. Irrespective of the merits of this policy position, what was evident is that the ILO had shifted its focus from the relationship between labour and capital to that of a development agency[470], a precursor for the ILO's policies in the 1990s and 2000s. Taking up a position that only growth could lead to the meeting of global human needs, the ILO shifted away from the business of regulating the contradiction between labour and capital, and toward the business of getting labour productively employed albeit in work that met its minimum standards. An example of this can be seen in the 2003 ILO report entitled *Working Out of Poverty* in which Juan Somavia comments that "We know that work is the best route out of poverty[471]."

It is during the late 1970s and 1980s that the ILO provided further major indicators of its weakness. In 1980 the US reentered the ILO following which Standing notes that in the 1980s, more labour market regulations were enacted worldwide than in any comparable period of history[472]. The trouble with this period is that such labour market regulations reflected the Washington

---

[467] Saith, Ashwini. (2005). Reflections: Louis Emmerij. *Development and Change.* Vol 36, Iss 6. p1168. See also: Emmerij, Louis. (2005). The History of Ideas: An Introduction to the United Nations Intellectual History Project. *Forum for Development Studies.* Vol 1, p18.
[468] Standing, Guy. (2008), p362.
[469] Emmerij, Louis, Jolly, Richard and Weiss, Thomas George. (2001). *Ahead of the Curve?: UN Ideas and Global Challenges.* Indiana University Press: Bloomington, p68.
[470] Standing, Guy. (2008), p362..
[471] Somavia, Juan. (2003). *Working Out of Poverty.* International Labour Office: Geneva, pvi.
[472] Standing, Guy. (2008), p363

Consensus[473], and emphasized "individualistic" and "market based" regulations directly in contradiction of the philosophy of the ILO[474]. The ILO found itself in a position of weakness both technically and politically lacking the human capital to properly critique the market based approach, and the political capital as it was desperate to attract resources from countries where such a market paradigm was dominant. As a result the ILO remained silent on possibly the most major political developments of the late 20th century[475].

Instead as the global epochal shift toward neoliberalism began, the ILO found itself accommodating the US in an effort to retain it as a member state. In 1985 in a speech to a United States Senate committee, then Secretary of State George Shultz remarked that "the United States returned to the organization in 1980 because we believed there had been substantial improvement in these areas during our absence. We rejoined because the ILO showed greater determination to adhere to its original principles. We have seen continued improvements in the ILO over the past 5 years and are encouraged by them[476]." The 'improvements' listed by Shultz all served US geopolitical interests as they involved direct attacks on the Soviet Bloc including criticisms of the governments of Czechoslovakia and Poland and support of Israel[477].

Since the end of the Cold War the activities and initiatives that have been central to the ILO's efforts to influence global affairs include the social clause

[473] The term Washington Consensus was first coined by John Williamson of the Peterson Institute for International Economics. It refers to 10 policy positions which Williamson argued the American political establishment could agree upon as policy prescriptions for indebted developing countries including the elimination of fiscal deficits, the reduction of public spending, a regressive taxation system, market determined interest rates, market determined exchange rates, export focused trade policy, liberalization of foreign investment flows, privatization of state assets, the promotion of deregulation and the general acceptance of property rights. See: Williamson, John. (1989). What Washington Means by Policy Reform, in: Williamson, John (ed.) (1989). *Latin American Readjustment: How Much has Happened*. Washington: Institute for International Economics

[474] Standing, Guy. (2008), p363

[475] *Ibid.*

[476] Shultz, George. (1985). US Role in the ILO – International Labor Organization – speech by George Shultz, Transcript. *US Department of State Bulletin.* November.

[477] Ibid.

platform, the 1998 Declaration on Fundamental Rights at Work, and the Decent Work agenda[478]. As such an assessment on effectiveness of these initiatives is largely an assessment of the value of the ILO itself in the past quarter of a century and in particular of the ability of the ILO to adapt to globalized production. This section will examine the work of the ILO and evaluate the ability of the organization as a vehicle to improve the condition of workers, particularly in the global South. It will do so through a summary and evaluation of the critics of the ILO platform itself, but also through an examination of the ILO's evaluations of its own work.

The social clause platform was the first major initiative of the ILO in a post-Cold War environment. In summary the social clause involved the establishment of a link between multilateral trade agreements under the auspices of the WTO, and labour standards as developed by the ILO, which would commit countries to the maintenance of labour standards in order to access the global market[479]. The social clause was initially discussed at the Marrakesh at the establishment of the WTO however there was no decision as to whether the social clause would form part of WTO arrangements or not at that stage[480]. In the 1996 Singapore Ministerial meeting of the WTO the link between labour standards and multilateral trade being proposed by the ILO was rejected by the WTO, a rejection which was confirmed in subsequent meetings whenever the issue was raised[481].

[478] Hughes, Steve. (2005). The International Labour Organization. *Global Monitor.* Vol 10, No 3, p416.
[479] *Ibid.*
[480] Leary, Virginia. (1997). The WTO and the Social Clause: Post-Singapore. *European Journal of International Law.* Vol 8, Iss 1, p118.
[481] Hughes, Steve. (2005). The International Labour Organization, p416.

Core Labour Standards – The 1998 Declaration on Fundamental Principles and Rights at Work

The majority of the literature concerning the contemporary relevance of the ILO has involved a debate surrounding the 1998 Declaration on Fundamental Principles and Rights at Work, a commitment by the member states of the ILO to "respect and promote principles and rights in four categories[482]", freedom of association and recognition of collective bargaining, the elimination of forced labour, the abolition of child labour and the elimination of discrimination in employment and occupation, whether or not the member states had signed any relevant prior conventions of the ILO on these subjects. The declaration was an attempt to reaffirm and refocus the ILO toward the most fundamental principles which ILO member states had agreed to on the basis of the myriad of conventions in the ILO's history. The Declaration on Fundamental Principles and Rights at Work raises two broad questions, the first about the appropriateness of the Declaration itself and secondly, about the ILO's effectiveness in achieving member state compliance with the principles and rights stated therein.

Regarding whether the 1998 Declaration was an appropriate step for the ILO to take, various authors have taken up positions either in favour of the Declaration or against it. The most prominent critic of the Declaration is Phillip Alston, who argues that the Declaration was a "major transformation of the overall international labour rights regime[483]."

Prior to the transformation suggested by Alston "the ILO has arguably played a central role on the admittedly small, but nonetheless important, stage of defining which rights are to be taken into account in international discussions of labour

[482] International Labour Organization. (2010). *The Declaration.* Available from: http://www.ilo.org/declaration/thedeclaration/lang--en/index.htm [Online] Last accessed: 31 October 2010.
[483] Alston, Phillip. (2005). Facing Up to the Complexities of the ILO's Core Labour Standards Agenda. *The European Journal of International Law.* Vol 16, No 3, p468.

rights[484]." In favour of his argument of the ILO's historical importance Alston points to the "list of labour standards reflected in the NAFTA agreement, in the various bilateral free trade agreements, in national formulations such as those incorporated in externally-focused US legislation, and in the work of international organizations" as being influenced by the ILO. It is argued by Alston that this role has been abandoned by the ILO as a result of certain political players (namely the US) who used the 1998 Declaration as a way of taking the 'moral high ground' with regard to labour standards. Notably, up until that point the US had signed as many ILO conventions as Myanmar, a country which at the time was being sanctioned by the ILO[485].

Alston concludes his argument by recommending that the conventions which existed prior to the 1998 Declaration should be enunciated in some form of subsequent declaration in order to codify all existing labour rights[486]. In effect this is a modernized restatement of the ILO's previous positions, which Alston claims will provide the foundation with which to build on for the future.

In response to the criticisms of core labour rights as the method by which the conditions of labourers can be advanced, the most notable defender of the core rights approach has been Langille. In response to Alston, Langille defends the core rights approach on a number of fronts. Langille argues that the core rights agenda rose to prominence through "the international community's endorsement of the idea in a number of fora" including the Copenhagen Social Summit in 1995 and the WTO Singapore Ministerial of 1996[487]. During these events the idea of a labour dimension to the WTO was advanced and debated for the first time. The notion of core labour rights was carried forward to the WTO Seattle Ministerial of 1999 after which the notion of a labour dimension to the WTO was

[484] *Ibid.,* p470.
[485] *Ibid.,* p471.
[486] *Ibid.,* p479.
[487] Langille, Brian A. (2005). Core Labour Rights – The True Story (Reply to Alston). *European Journal of International Law.* Vol 16, Iss 3, p420.

abolished due to resistance mainly from developing countries who saw this as protectionism.

Despite the end of the idea within the WTO, Langille defends the usefulness of the core labour rights model. The position Langille takes is that in rejecting a labour dimension the WTO gave carriage of all labour related issues to the ILO and as such gave the ILO the initiative to promote labour rights through the core labour rights model. In comparison to what he sees as a previous era when the ILO had 200 conventions but no enforcement powers, Langille sees strategic sense in promoting a handful of core labour rights as opposed to encouraging nations to sign up to the 200 conventions that are non-enforceable[488].

One of the main criticisms raised by Alston and other critics such as Compa[489] about the core labour rights model is that it privileges some rights over others and thus undermines the integrity of the labour rights platform given that rights are supposed to be universal and inalienable. Langille counters this assertion by suggesting that prioritization had already existed in the work of the ILO. For instance he suggests that basic human rights were always prioritized above the gaining of labour statistics, or even health and safety regulations, irrespective of whether or not both had convention status[490].

Langille goes on to draw a comparison between how the ILO handled the issue of child labour previously in comparison to the core labour rights approach to advocate that the core labour rights approach was immensely more successful. In his view the convention on child labour placed many countries in the position where they could not, or would not sign up to the convention due to the level of detailed prescriptions, and the statute like nature of what was involved[491]. By comparison he suggests that a core rights approach allows countries to see

[488] *Ibid.,* p423.
[489] Compa, Lance, A. (2002). Core Labour Rights: Promise and Peril. *International Union Rights.* Vol 9, Iss 3, p20.
[490] *Ibid.,* p424.
[491] *Ibid.,* p424.

their self-interest as being advanced through the promotion of core labour rights based on what is possible in the country concerned.

The debate between Alston and Langille is reflective of a larger debate which persists throughout the world's multilateral institutions and will continue to do so insofar as they exist in the same format. Alston takes up the position of the universalist, and after cutting through his duel with Langille at the heart of his thinking is a desire for broad sweeping powers embedded in multilateral institutions (in particular the ILO) which can compel countries to act as per the ILO conventions. Langille on the other hand takes up the position of the cultural (or in this case national) relativist who thinks that rights are about setting broad general principles and allowing nation states to interpret and promote these through whatever channel their national interest allows[492]. In this sense, Alston's argument is lacking in that a global state does not exist, and does not seem to be on the agenda at this point in time. As a result it is impractical to pretend that the ILO could take on this role irrespective of the number of 'reforms' that could be made to it.

This however does not lead me to suggest that Langille's argument is the correct one. Whereas Alston's argument is unrealistic, at least it has the merit of advocating for a solution to the global labour rights question. The assumption that leaving countries to advance core labour rights through their self interest will actually promote labour rights is problematic; as if this was the case then the ILO would never have existed in the first place. The concept of national interest is inherently problematic as it assumes that the labourers of a given country have the same set of interests as the capitalists of the same country. Anita Chan for instance demonstrates that one of the ways China is able to achieve such rapid economic growth and investment inflow is through the denial of Labour Rights[493]. This illustrates that there are certainly cases where labour

[492] *Ibid.,* p420.
[493] Chan, Anita. (1998). Labor Standards and Human Rights: The Case of Chinese Workers

and capital, irrespective of their national origins, do not share the same sets of interests thus making 'national interest' a questionable midwife for labour rights.

Secondly a compact between labour and capital in one particular country could undermine labour rights in other countries. In Chapter 4 I documented the nexus between the North country workers and capitalists in terms of the production and acquisition of manufactured goods from low wage countries. If a national political formation reaches this position, promotion of its national self-interest involves maintaining or extending this position of dominance in the global political economy, a position that is in tension with the improvement of workers' conditions elsewhere.

Whatever the merits of either position taken in the debate between Alston and Langille, the core labour standards approach currently underpins the work of the ILO and is typified by the ILO's Decent Work agenda. Decent Work was adopted by the ILO during the tenure of president Juan Somavia in response to what he saw as two central problems facing the ILO as detailed by his inaugural report to the ILO[494]. The first was that the ILO did not have any priority in terms of what it sought to achieve[495]. In evidence of this Hughes notes that at the time Somavia made this report the ILO was engaged in 39 distinct major programs[496].

The second problem identified by Somavia was the post-Cold War breakdown in the consensus in relation to tripartism[497]. Hughes notes that behind the ILOs Decent Work Program were: "Rising unemployment, the dismantling of the Keynesian social compact and the spread of market liberalism had revitalised traditional enmities between labour and capital. With employer interest very

---

under Market Socialism. *Human Rights Quarterly.* Vol 20, Iss 4, p886.
[494] International Labour Organization. (1999). Decent Work: Report of the Director General to the 87th Session of the International Labour Conference. International Labour Office, Geneva.
[495] Hughes, Steve. (2005). The Role of the ILO in the Development of Economic and Social Policies. *New Political Economy*. Vol 10, Iss 3, pp419-420.
[496] *Ibid.,* p420.
[497] *Ibid.*

much in the ascendancy and key governments engaged in the ideological reform of national markets…[498]."

In relation to the Decent Work agenda Standing agrees that the ILO had reached an impasse with the end of the Cold War and increased globalization rendering many of the ILO conventions ineffective. He notes for instance that "a global resurgence of labour broking, employment 'agencies' and labour sub-contracting[499]" make "ILO conventions…look inapplicable for rather a lot of work statuses[500]." Despite this Standing concludes that the shift toward an emphasis of core labour rights in the Decent Work agenda amounts to a watering down of the traditional values of the ILO, and a concession to the employers group within the ILO and the US in particular[501].

Irrespective of these criticisms Decent Work, as Juan Somavia acknowledges, is now the central part of the ILO. Somavia specifies the key elements of Decent Work by saying "The primary goal of the ILO today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity[502]." According to the ILO the four strategic objectives of the Decent Work agenda include "fundamental principles and rights at work and international labour standards; employment and income opportunities; social protection and social security; and social dialogue and tripartism[503]." In order to evaluate the potential of the ILO it is necessary to carefully consider the history of ILO approaches and their validity in terms of influencing the world of work.

---

[498] *Ibid.*
[499] Standing, Guy. (2008), p365
[500] *Ibid.*
[501] *Ibid.,* p367.
[502] Somavia, Juan. (2009). *Decent Work for All*. Available from: http://www.ilo.org/global/About_the_ILO/Mainpillars/WhatisDecentWork/lang--en/index.htm [Online] Last aaccessed 31 October 2010.
[503] *Ibid.*

The ILO's fundamental principles and rights at work are part of the aims and purposes of the ILO as set out in the Declaration of Philadelphia which is the central document concerning the goals of the ILO[504]. It is important firstly to recognize the context within which the Declaration of Philadelphia was made. The Declaration was adopted as the charter of the ILO in 1944 and bears the mark of the times in the sense that it reads as a Keynesian, social democratic response to the depression years as evidenced by statements such as "it is a responsibility of the International Labour Organization to examine and consider all international economic and financial policies and measures in the light of this fundamental objective[505]" as well as the consideration of specific goals such as full employment, a minimum living wage, social security and basic medical care to all who need it, public housing, maternity protection and equality in education. Two central problems arise out of this approach when it is considered outside of the context in which it was formulated.

Firstly the political climate in the early 21st century leads to questions about the validity of the ILO approach when Keynesian and Social Democratic ideas about politics and economics have been either discredited or have suffered severe defeats in the realms of concrete politics. Since the end of the 1970's the move away from the demand-side reasoning of Keynesian economics to the supply-side reasoning of monetarism meant a theoretical shift whereby unemployment came to be seen as a consequence of labour market inflexibility. In practice governments began to target labour market inflexibility rather than unemployment as part of their economic policy. It was thus that one of the objectives of the ILO, full employment, was seen as being in tension with a number of the other objectives, such as minimum wages. As labour was once again seen as a commodity it was considered that allowing for wage levels to be

[504] International Labour Organization. (2010). *Constitution of the International Labour Organization.* Available from: http://www.ilo.org/ilolex/english/iloconst.htm [Online] Last accessed: 31 October 2010.
[505] *Ibid*.

flexible as opposed to standard based would eventually lead to full employment, the same process by which a market clears for any other commodity.

Secondly with regard to the global South, in the era where Keynesian ideas were globally dominant and the Cold War political situation was conducive to labourism, the ideology of the ILO[506], labourism never became a feature in the global South. This suggests either a lack of political will on behalf of the member states of the ILO, inadequacy of policies proposed by the ILO, an internal dynamic that has for whatever reason not devoted sufficient attention to South country issues, or a general failure of the prescribed ideas to achieve their stated objectives whilst standing up to the reality of politics on the ground. Given the prevailing levels of development in the South and the corresponding strengths of South country governments, social democracy is unrealistic as a political system, and as a result a social democratic ideology is unlikely to be successful in the global South.

In evidence of this, Roberts, in commenting on Latin America, notes that:

> "Historically, social democracy has been grounded in conditions that are not present in Latin America and are highly unlikely to develop under an increasingly transnational neoliberal model of capitalist development – namely, centralized and densely organized labor movements that have close political ties to socialist parties, ample fiscal resources to sustain universal norms of social citizenship, and domestic power balances that spawn institutionalized forms of class compromise in which democratic checks are placed on the privileges and functioning of capital[507]."

A significant literature exists outlining the necessary relationship between the development of social democracy or welfare state provisions, and the necessity

[506] Standing, Guy. (2008), p380
[507] Roberts, Kenneth. (1998). *Deepening Democracy? The Modern Left and Social Movements in Chile and Peru.* Stanford: Stanford University Press.

for an advanced economy[508]. There are two principal arguments advanced towards this end. Firstly it is argued that the development of an economy "facilitates compromise between capital and labour[509]" as labourers are able to advance demands against capital without threatening the sustainability of capital on a local level. This is not to say that development necessarily leads to compromise between labour and capital, however without development it is contended that such compromise is impossible[510]. It also changes the class and social structure by taking power away from large landholders through urbanization[511].

---

[508] Stephens, John. (1979). *The Transition from Capitalism to Socialism*. Urbana: University of Illinois Press. See also: Stephens, John. (1989). Democratic Transition and Breakdown in Western Europe, 1870-1939: A Test of the Moore Thesis. *American Journal of Sociology.* Vol 94, pp1019-77.
See also: Stephens, John. (1995). *The German Path to Modern Authoritarianism: Germany, Britain and Sweden compared*, pp. 161-81 in H. E. Chehabi and Alfred Stepan, *Politics, Society, and Democracy; Comparative Studies: Essays in Honor of Juan Linz*. Boulder: Westview Press.
See also: Stephens, John. (1995). *The German Path to Modern Authoritarianism: Germany, Britain and Sweden compared*, pp. 161-81 in H. E. Chehabi and Alfred Stepan, *Politics, Society, and Democracy; Comparative Studies: Essays in Honor of Juan Linz*. Boulder: Westview Press.
See also: Rueschemeyer, Dietrich, Evelyne Huber Stephens, and John D. Stephens. (1992). *Capitalist Development and Democracy*. Chicago: University of Chicago Press.
See also: Huber, Evelyne, Dietrich Rueschemeyer and John D. Stephens. (1993). The Impact of Economic Development on Democracy. *Journal of Economic Perspectives*, Vol 7, pp71-85.
See also: Huber, Evelyne, Dietrich Rueschemeyer and John D. Stephens. (1997). The Paradoxes of Contemporary Democracy: Formal, Participatory, and Social Dimensions. *Comparative Politics* Vol 29. pp323-342.
See also: Huber Evelyne, Ragin, Charles and Stephens, John. (1993). Social Democracy, Christian Democracy, Constitutional Structure and the Welfare State, *American Journal of Sociology*, Vol 99, pp711-749.
See also: Huber, Evelyne and John Stephens. (1999). The Bourgeoisie and Democracy: Historical and Contemporary Perspectives from Europe and Latin America. *Social Research* Vol 66, pp759-88.
See also: Huber, Evelyne and John Stephens. (2001). *Development and Crisis of the Welfare State: Parties and Policies in Global Markets*. University of Chicago Press.
See also: Stephens, John. and Gerhard Kümmel. (2002). Social Structural Dynamics pp. 39-63, in Dirk Berg-Schlosser and Jeremy Mitchell (eds.), *Crisis, Compromise, Collapse, Volume II, Authoritarianism and Democracy in Europe 1919-39: Comparative Analyses*. Houndmills, Basingstoke: Palgrave.
See also: Bradley, David, Evelyne Huber, Stephanie Moller, Francois Nielsen, and John D. Stephens. (2003). Distribution and Redistribution in Post-Industrial Democracies. *World Politics*, Vol 55, pp193-228.
[509] Huber, Evelyne, Rueschemeyer, Dietrich and Stephens, John. (1993), p85.
[510] *Ibid.*
[511] *Ibid.*

The second aspect of the argument is in relation to the per capita incomes of countries in the global South making social democracy unfeasible. The reason for this is that per capita incomes roughly translate into the tax base that can be used for social spending. In a context of low per capita incomes, high levels of state debt, and in many cases economic stagnation, it is unlikely that social democracy could be advanced[512]. A more radical position provided by H W Edwards even goes so far as to suggest that the ability to pursue social democracy is inextricably tied to imperialism, either through past or present direct colonial rule, or through the imperialism of finance and trade. Edwards argues that it is through imperialism that the necessary material base for a social democratic framework can be obtained[513]. Whether or not one is prepared to adopt Edwards' position, it seems that there are a number of barriers to the implementation of social democracy in the global South. As a result of this the ILO's broader platform, which is largely a social democratic platform based on compromise between labour and capital and governments with the ability to engage in mass social spending, can be seen as largely unrealistic in the context of the global South. It is within this context that strategies such as Decent Work with a very narrow focus on the provision of technical assistance to states to devise regulations upholding core labour standards enable the ILO to claim influence in the global South.

With the advent of globalization there is consensus in the literature that the ILO had run into crisis. Its method of operation was overly centralized and inflexible and was not able to account for differing conditions in the global economy, in particular in the global South, or cope with the challenges of a more globalized world[514]. As Langille notes, even former ILO officials such as Breen Creighton

---

[512] *Ibid.*

[513] Edwards, H.W. (1978). Labour Aristocracy: Mass Base of Social Democracy. Stockholm: Aurora Edition, p60.

[514] Alston, Philip. (2004). Core Labour Standards and the Transformation of the International Labour Rights Regime. *European Journal of International Law.* Vol 15, No 3, p517. See also: Rigby, C (ed.). (2003). *Monitoring International Labor Standards: National Legal Frameworks, Summary of a Workshop*. See also: Elliot, K and Freeman, R. (2003). *Can Labour Standards Improve Under Globalization?* Washington: Institute for International Economics, p73. See

have suggested that "the traditional system is in a state of crisis of such magnitude as to raise serious questions about its future role and relevance[515]." In what the majority of the above literature has seen as a response to this in 1998 the ILO released the "Declaration on Fundamental Principles and Rights at Work[516]" which identifies four 'fundamental' rights, which the ILO calls on all members of the ILO to "respect, promote and realize" as well as report on the progress thereof in terms of implementing these rights, irrespective of whether the member had signed and ratified the conventions associated with these 'fundamental' rights.

The fundamental rights outlined in the 1998 declaration are: Freedom of association and protection of the right to organize, the right to organize and to collectively bargain, equal remuneration, the abolition of forced labour and the abolition of child labour. Such an approach can be seen as a retreat from past linkages the ILO has made between labour standards and economic policy. There are a number of specific criticisms that can be made of these labour standards as well as more generalized criticisms of the ILO to which I will now turn.

To begin with the most general criticism that can be made of the ILO is one that can be made of the United Nations system in general, that it is an organization with no hard political power. Peter Waterman suggests that "The ILO has never been able to enforce the standards it sets. Rhetoric has always been more important than power. And now it is confronting its crisis by further reducing the

---

also: Langille, Brian. (2005). Core Labour Rights – The True Story (Reply to Alston). *European Journal of International Law.* Vol 16, No 3, p425. See also: Maupin, Francis. (2005). Revitalization not Retreat: The Real Potential of the 1998 ILO Declaration for the Universal Protection of Workers' Rights. *European Journal of International Law.* Vol 16, No 3, p462.

[515] Creighton, Breen. 'The Future of Labour Law: Is There A Role for International Labour Standards?' in C. Bernard, S. Deakin, and G. Morris (eds.). (2004). The *Future of Labour Law, p253*.

[516] International Labour Organization. (2010). *The Declaration.*

power and upgrading the rhetoric[517]." There is little ability, particularly in developing countries, where a large percentage of the workforce is involved in agriculture, rural and non-rural informal employment and where an average of 15% of the workforce is part of a work setting that involves a formal wage contract[518], for the ILO to supervise let alone enforce the adherence to its core labour standards[519]. In the entire history of the ILO there has been only a single case where the ILO's maximum enforcement measures, article 33 of the ILO constitution, were called into play. This example illustrates the vulnerability of South country workers when depending on the ILO for support.

The sole situation in which Article 33 has ever been invoked at the ILO relates to the issue of forced labour within Myanmar as a result of the seizure of power by the military junta, and the launching of a campaign to develop infrastructure to attract tourists and investors. Coinciding with the rise of the junta was a corresponding rise in the use of forced labour[520]. The workers' caucus of the ILO filed a complaint against Myanmar in 1996 which led to an ILO Commission of Inquiry. By March 2000 Myanmar had not taken any action, which led to a recommendation that "the June 2000 International Labour Conference take action[521]." At the June conference a majority decision of 52 in favour and 4 against decided that action would be taken against Myanmar. Under Article 33 of the ILO constitution this decision supposedly compelled all member countries to take action against Myanmar. Despite this Elliot and Freeman noted that as of 2002 no country reported having taken any form of action against Myanmar

[517] Waterman, Peter. (1999). *Needed: A New International Labour Movement For (and Against) a Globalised, Networked Capitalism.* Available from: http://www.antenna.nl/~waterman/needed.html [Online] Last accessed: 31 October 2010.
[518] Singh, A and Zammit, A. (2000). The Global Labour Standards Controversy: Critical Issues for Developing Countries. Available from: http://info.worldbank.org/etools/docs/library/57497/Standards.pdf [Online] Last accessed: 31 October 2010.
[519] Weil, David. (2008). A Strategic Approach to Labour Inspection. *International Labour Review.* Vol 147. Iss 4, p349. See also: Islam, Shada. (1997). Wanted: Muscle. *Far Eastern Economic Review.* Vol. 160, Iss. 18, p49.
[520] Elliot, Kimberly and Freeman, Richard. (2003). *Can Labour Standards Improve Under Globalization?* Peterson Institute: Washington, p104.
[521] *Ibid.*

and forced labour continued to take place[522]. It is notable that even in 2008 the ILO was still calling for Myanmar to end forced labour, and additionally to release arrested ILO workers' caucus members from Myanmar as well[523].

In some cases however the ILO standards have become points of reference. The US for instance has signed a number of free trade agreements with both North and South countries which contain requirements to adopt and enforce the ILO's core labour standards[524]. The World Bank has in conjunction with the German government attempted to focus on how core labour standards could help to reduce poverty[525]. The Asian Development Bank when implementing development projects also assesses whether core labour standards have been adopted in a given country[526]. Due to their promotion and acceptance at the multilateral level, the core labour standards have provided a reference point for workers to point to when making claims against governments.

Despite this and in addition to problems of enforceability is the fact that countries, if powerful or influential enough, can simply opt to ignore the ILO in part or in whole with no ramifications on their international standing. The example of the People's Republic of China (PRC) makes for a case study of the effectiveness of the ILO, and is of central importance as it is the single largest contributor to the global labour force. In 2006 the International Confederation of Free Trade Unions released a report on the PRC and its adherence or lack

---

[522] *Ibid.,* p106.
[523] Reuters. (2008). *ILO Urges Myanmar to Ban Forced Labour.* Available from: http://in.reuters.com/article/idINIndia-33844520080531 [Online] Last accessed: 31 October 2010.
[524] International Labour Organization. (2010). *United States Free Trade Agreements (FTAs).* Available from: http://www.ilo.org/global/What_we_do/InternationalLabourStandards/InformationResources/fta/lang--en/WCMS_115531/index.htm [Online] Last accessed: 31 October 2010.
[525] World Bank. (2010). *Job Creation, Core Labour Standards, and Poverty Reduction. A Proposal by the World Bank to the German Government.* Available from: http://siteresources.worldbank.org/INTLM/Resources/GermanTFProposal.pdf [Online]Last accessed: 31 October 2010.
[526] Asian Development Bank. (2009). *NEP: Proposed Road Connectivity Project.* Available from: http://www.adb.org/Documents/IPSAs/NEP/38350-NEP-IPSA.pdf [Online] Last accessed: 31 October 2010.

thereof to ILO core labour standards. Firstly it found that China had simply not ratified four of the eight core labour standards including the right to organize and collectively bargain, the convention on freedom of association, the convention on the abolition of forced labour or the convention on forced labour[527]. Not only did the PRC government not ratify these conventions, but it continues to ignore them and condone acts against their spirit through the suppression of independent unions, mandatory membership of the state sponsored All China Federation of Trade Unions, imprisonment of workers engaged in labour activism, forced labour and even forced prostitution of women[528].

In addition to this, out of the conventions that were actually signed and ratified by the PRC it appears that none of them are actually enforced. For instance China is a signatory to the Convention for Equal Remuneration however there exists evidence of discrimination based on gender, ethnicity, region, rural or urban background and disability[529]. China is also a signatory to both of the ILO's child labour conventions, and yet child labour remains prevalent in China[530].

The general conclusion that can be made as a result of this observation is that countries can ignore the ILO with impunity. After all what consequences can it be said that the Communist Party of China or any other powerbrokers in the Chinese political economy are actually suffering as a result of either failing to ratify or failing to enforce ILO standards? China has remained the fastest growing economy in the world with an ever increasing level of inequality. This point suggests that the very people who ignore the ILO are those who are benefiting most out of the fact that they do so, particularly through international trade and attracting foreign investment, despite worldwide knowledge of working

[527] International Trade Union Confederation. (2008). *Internationally Recognised Core Labour Standards in the People's Republic of China*. Available from: http://www.ituc-csi.org/IMG/pdf/China_report._16_May.1330.FINAL.pdf p1. Last accessed: 31 October 2010.
[528] *Ibid.*
[529] *Ibid.,* pp10-12.
[530] *Ibid.,* p12-13.

conditions in China. This suggests that the approach of the ILO is fundamentally flawed and lacks the political power to even ameliorate the worst aspects of capitalism, let alone alter the prevailing balance of power between labour and capital.

An Assessment of the ILO Against its own Standards

Following discussion of the relevance of the ILO criteria as exemplified in the 1998 Declaration, it is of interest to examine the ability of the ILO to achieve progress in terms of affecting the standards that it set in the declaration itself in order to complete the evaluation of the ILO. The following section will evaluate the four core labour standards, the view of the ILO in terms of its effectiveness of implementing these standards, as well as the views of prominent critics of the ILO where available.

Regarding progress in implementing the core labour standard of freedom of association and the right to effective collective bargaining, the ILO evaluates progress in a dual fold manner firstly by observing ratifications of ILO conventions towards this end, and secondly by observing effective application of the principles themselves. With regard to this first principle the ILO reports that:

> "Some States of chief industrial importance and countries with large populations and areas are among those that have not ratified the two Conventions. This leaves a large proportion of the world's employers and workers without the protection offered by these instruments in international law…About half the total labour force of ILO member States lives in five countries that have not yet ratified Convention No. 87 (Brazil, China, India, Islamic Republic of Iran and United States). No significant action towards ratification has been taken over the last four years in these countries[531]."

[531] Somavia, Juan. (2008). *Freedom of Association in Practice: Lessons Learned.* International Labour Office: Geneva, p6.

Taking China as the country with the highest number of the world's workers and one which was identified by the ILO in the previous statement, the International Institute for Economics comments that "lack of freedom of association in China provides a test of the ability of the ILO and the world community more generally, to improve labour rights in an economically important country through pressure and engagement without sanctions[532]."

The ILO's committee of experts has published a number of reports in relation to the core labour standards of the ILO. Article 33 of the ILO constitution while permitting sanctions, does not explicitly recommend them[533]. As such it can only be concluded that the action deemed wise and expedient by the ILO's governing body to secure compliance has been the continued production of reports by the ILO committee of experts.

With regard to the concrete application of the right to freedom of association and effective collective bargaining in those member states who have ratified the relevant conventions the ILO notes that "During the period 2004–07 there was a sharp increase in the total number of complaints submitted[534]." Thus it can be concluded that with the number of countries ratifying the conventions on freedom of association and the right to effective collective bargaining stalling, the majority of the worlds workers not covered by the said conventions, and those workers who are theoretically covered lodging record levels of complaints, that the situation regarding freedom of association and effective collective bargaining is dire. It is clear from the ILO's own data that not only is the ILO not making progress on this 'core' principle but that there are signs of regression.

With regard to the abolition of forced labour the ILO notes that the conventions relating to the abolition of forced labour have the highest ratification rates of any

[532] Elliot, Kimberley and Freeman, Richard. (2003). *Can Labor Standards Improve Under Globalization.* Washington DC: Institute for International Economics, p107.
[533] International Labour Organization. (2010). Constitution of the International Labour Organization.
[534] Somavia, Juan. (2008), p9

of the ILO's conventions[535]. Despite this the ILO notes that since 2001 there have been increasing instances of human trafficking for the purpose of forced labour, prisoners working for private companies, forced labour as an alternative to prison, forced labour as a requirement for the receipt of unemployment benefits and forced overtime[536].

With regard to the abolition of child labour the ILO notes that the number of ratifications for the child labour conventions (138 and 182) is slightly higher than the number of ratifications for the conventions on freedom of association and effective collective bargaining, but less than the number of ratifications for the conventions relating to the abolition of forced labour[537]. What is particularly encouraging for the ILO is the speedy take-up of the recently drafted convention 182 on the worst forms of child labour which has been ratified at a faster rate than any convention in the history of the ILO[538].

In terms of the implementation of the conventions the effectiveness of the ILO has been mixed. The ILO reports that by comparison with the 1999-2005 period there has been exponential growth reflected in the 2006-2009 period in terms of actions by various member states reported against conventions 138 and 182[539]. Despite this it is noted that relatively few countries adopt time bound plans for achieving objectives in relation to child labour, and additionally "relatively few countries have adopted effective legislative prohibitions against forced labour, bonded labour, slavery, or the use, procuring or offering of a child for illicit activities, particularly in relation to the drugs trade[540]."

---

[535] International Labour Office: Committee of Experts on the Application of Conventions and Recommendations. (2007). *General Survey concerning the Forced Labour Convention, 1930 (No. 29), and the Abolition of Forced Labour Convention, 1957 (No. 105),* International Labour Office: Geneva, p12.
[536] *Ibid.,*
[537] International Labour Office. (2010). *Accelerating Action Against Child Labour.* International Labour Office: Geneva, p14.
[538] *Ibid.,*
[539] *Ibid.,* p15.
[540] *Ibid.,*

The ILO claims that the efforts made in relation to child labour are achieving a degree of success as measured between 2004 and 2008. Child labour on a global scale, according to the ILO, is declining as is incidences of children in hazardous labour[541]. Despite these apparent successes a number of qualifiers can be added to an assessment of progress on child labour. Firstly by the ILO's admission, child labour is on the rise in sub-Saharan Africa despite decreasing in the Asia Pacific and Latin American regions[542]. Secondly boys and older children are more likely to be involved in child labour, whereas girls are less likely to be involved in child labour[543]. Finally the pace of decline in child labour is slowing despite the fact that there are an estimated 215 million child labourers worldwide[544]. The relationship between household poverty and child labour is an evident sticking point in further reductions in child labour, as the ILO notes only one in five child labourers are in paid employment with the rest being employed as family agricultural labourers and as such present far more difficult problems in policy terms for the ILO to deal with[545].

Lee in commenting on the Declaration of Philadelphia era of the ILO suggested that the importance of this era lay in the fact that the ILO connected economic policy to social outcomes[546]. The ILO has moved away from this approach and instead treats issues like child labour as a human rights issue[547]. In treating child labour as a human rights issue, rather than a political economy issue, the ILO's approach to child labour is disconnected from the economic reality that drives children to work. In the words of Blanchette "Children don't work because their parents are cruel; they work because in developing

---

[541] *Ibid.,* p5.
[542] *Ibid.,*
[543] *Ibid.,*
[544] *Ibid.,*
[545] *Ibid.,*
[546] Lee, Eddy. (1994). The Declaration of Philadelphia: Retrospect and Prospect. *International Labour Review.* Vol 133, Iss 4, p469.
[547] International Labour Organization. (2010). *Facts on Child Labour.* Available from: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_126685.pdf [Online] Last accessed: 31 October 2010.

economies…parents alone cannot support their children[548]." Children work mostly due to economic realities, rather than because they are coerced into doing so by some other person. As a result, the approach that sees child labour as a human rights issue, and therefore sees child labourers as victims of unscrupulous employers, human traffickers, and other elements, has simply driven the child labour problem underground.

In the ILO's report *Accelerating Action Against Child Labor* it is noted that: "The largest sector for child labour remains agriculture, where the majority of children work as unpaid family members[549]." The ILO response to this is to use ILO resources to promote state spending on education[550] a move that may reduce the cost of education, but does not address household productivity levels that drive children to work in the first place.

Additionally in the report the ILO placed considerable emphasis on ILO Convention 182, which stresses the elimination of the 'worst forms of child labour'. The ILO defines the 'worst forms of child labour' as those related to slavery, prostitution, drug trafficking and generally work which can harm the safety or morals of children[551]. In focusing on these aspects of child labour it is clear how the ILO's approach has shifted from a political economy approach which sees child labour as symptomatic of other factors to a human rights approach which sees child labour as a human rights violation. The approach of the ILO therefore is to focus on those who they define as violating children's human rights by promoting labour inspections and time bound programmes whereby countries that sign and ratify convention 182 are bound to take

[548] Blanchette, Jude. (2004). Education is the Effect, not the Cause, of Affluence. *The Freeman.* Vol 54, Iss 6, p33.
[549] International Labour Office. (2010), p.xiv
[550] *Ibid.,* p37.
[551] International Labour Organization. (2010). *Worst Forms of Child Labour.* Available from: http://www.ilo.org/ipec/facts/WorstFormsofChildLabour/lang--en/index.htm [Online] Last accessed:: 31 October 2010.

"immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour[552]."

An example of how the ILO's approach has actually made the lives of former child labourers worse off is evident in Bangladesh. In association with the development of the country's garment and textile industry, many children who had previously worked as beggars, prostitutes or in various other forms of hard labour were drawn into the garment and textile industry[553]. According to UNICEF when the US began debating the Harkin Bill which would ban imports of goods that involved labour by children under the age of 15, the ensuing panic in the Bangladesh garment industry led to the summary dismissal of child workers[554]. Many former child labourers from the garment and textile industry were tracked by UNICEF and in many cases were found to be working in more hazardous manufacturing conditions or in prostitution[555].

The final core labour standard of the ILO is the elimination of all forms of discrimination in relation to labour, which relates most specifically to ILO Convention 111. The ILO last reported on this labour standard in 2003 in *Time for Equality at Work* and appears overdue to report on progress in implementing this labour standard. In 2003 the ILO reported that convention 111 was one of the most ratified ILO conventions of the ILO at 158 ratifications[556]. By 2010 the number of ratifications has increased to 169[557].

In terms of the actual elimination of discrimination the ILO again reports mixed achievements. With regard to gender as a barrier for entry into the labour

---

[552] *Ibid.,*
[553] De Gregori, Thomas. (2002). *Child Labor or Child Prostitution.* Available from: http://www.cato.org/pub_display.php?pub_id=3621 [Online] Last accessed: 31 October 2010.
[554] Bellamy, Carol. (1997). *The State of the World's Children.* Oxford University Press: Oxford, p23.
[555] *Ibid.,*
[556] International Labour Office. (2003)*Time for Equality at Work.* International Labour Office: Geneva. p17.
[557] International Labour Organization. (2010). *Convention No. C111.* Available from: http://www.ilo.org/ilolex/cgi-lex/ratifce.pl?C111 [Online] Last accessed: 31 October 2010.

market, the ILO notes increased labour force participation by women. The exception to this is sub-Saharan Africa where the ILO notes that the gender gap is narrowing due to increasing levels of male unemployment rather than women gaining access to the labour force[558]. Despite this women are still at greater risk of losing their jobs than are men[559].

Within the workplace itself the ILO noted the persistence of occupational segregation in the global South, which it defined as any occupation where one sex comprises 80% or more of the workforce. The ILO claimed that in the 1980s and 1990s horizontal segregation globally fell. It is notable however that during this period horizontal segregation in China, the world's largest labour market, rose as women moved into production jobs in the export-oriented industries[560].

Notably this most recent report of the ILO on workplace discrimination was largely silent on progress toward the elimination of discrimination other than that relating to gender. A small section is dedicated to discussion of discrimination against Indigenous and Tribal peoples as well as disability related discrimination, with a particular focus on HIV/AIDS, however no progress was reported against these factors.

By its own admission therefore the ILO has experienced mixed results with regard to its promotion of core labour standards. Despite improvements in various areas, it is notable that the majority of the world's workers lack even the formal right of freedom of association and effective collective bargaining. In addition to this in the countries that have ratified the relevant conventions the number of complaints has been rising. While the ILO can claim a degree of success in eliminating child labour, its progress appears to have stalled with the

[558] International Labour Office. (2003), p41. .
[559] *Ibid.*
[560] *Ibid.,* p45.

ILO appearing to have no answer for the situation where children in rural families must work.

The most revealing aspect of the limitations of the ILO can be found in ILO Convention 100, the Equal Remuneration Convention, which stresses "equal remuneration for work of equal value[561]." Laudably the application of this aspect of the convention has been applied to address various forms of discrimination, most notably between men and women, but only in the same country. The international focus of the ILO is its inherent limitation in its attempt to respond to the challenges that globalization presents. For the ILO individual nation states are the subject of analysis. As a result the ILO has consistently ignored the proverbial elephant in the room as it does not address the issue of why workers in different countries are paid differently for the same work. This criticism applies equally to the ILO's Decent Work agenda which ignores the question of wages altogether, setting only minimum conditions and then letting the market decide wage outcomes.

International Union Federations

There are a number of union federations past and present which have attempted to operate by way of international cooperation and collaboration. This section will examine the efforts of those international unions, their structure and method of organization. Unlike the ILO which is a purely advisory body, international unions are qualitatively different as they represent concrete organizations with the ability to lend anything from moral or material support to the labour movements of other countries, to solidarity actions that take place in their own country. As such and at face value, international labour unions seem to have the potential to be powerful political vehicles for global labour, a point which will be tested in this section through an overview of the various union internationals and their political successes and failures.

[561] International Labour Office. (2003), p.x.

The international trade union structure is comprised of a number of international industrial union confederations. Union internationals include Building and Woodworkers International, Education International, International Federation of Chemical, Energy, Mine and General Workers' Unions, International Federation of Journalists, International Metalworkers Federation, International Transport Workers Federation, International Textile, Garment and Leather Workers Federation, International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations, Public Service International and the International Arts and Entertainment Alliance[562]. Together these unions are known as the 'Global Unions.' In addition to these industrial union internationals are the various groups which are responsible for coordinating the international union effort. These groups include the International trade union confederation and the Trade Union Advisory Committee to the OECD.

The primary role of the International trade union confederation is to link national trade union councils together for the purposes of global action and global campaigns. The ITUC is comprised of nationally based union organizations of which there can be more than one per country, with each contributing to the running of the ITUC and are responsible for electing the congress secretariat and congress president of the ITUC. The number of delegates per organization is determined by the number of members in a national organization as Table 12 exemplifies:

[562] Global Unions. (2009). *Who Are Global Unions?* Available from: http://www.global-unions.org/spip.php?rubrique25 [Online] Last accessed: 31 October 2010.

Table 12: How the ILO Calculates Number of Delegates per Organization	
Number of Members	Number of Delegates
Up to 50,000	1
Between 50,001 and 100,000	2
Between 100,001 and 250,000	4
Between 250,001 and 500,000	6
Between 500,001 and 1,000,000	8
Between 1,000,001 and 2,500,000	10
Between 2,500,001 and 5,000,000	12
Between 5,000,001 and 7,500,000	16
Over 7,500,000	20

There is an evident principle of diminishing marginal returns in terms of the number of delegates awarded per number of members, which is suggestive of a policy that promotes the participation of smaller organizations in order to strengthen their organizing efforts. In addition to this there is a proviso that any organization with two or more delegates shall be 50% composed of women delegates[563].

The ITUC was formed in November of 2006 when the International Confederation of Free Trade Unions and the World Confederation of Labour both dissolved to form the ITUC. Prior to the unification each organization had its own history, which was largely but not entirely dominated by the dynamics of the Cold War. In 1901 the "International Secretariat of Trade Union Centres", a grouping of European national trade union federations, was founded and then renamed in 1913 as the International Federation of Trade Unions[564].

[563] International Trade Union Confederation. (2006). *ITUC Constitution*. Available from: http://www.ituc-csi.org/IMG/pdf/Const-ENG-W.pdf [Online] Last accessed: 31 October 2010.
[564] Tosstorff, Reiner. (2005). The International Trade Union Movement and the Founding of the International Labour Organization. *International Review of Social History.* Vol 50, Iss 3, p400. See also: Segal, Melvin J. (1953). International Trade Union Organizations. *Review of Social Economy*, Vol 11, Iss 2, pp119-140.

Following this the International Federation of Christian Trade Unions was founded in the Netherlands in 1920[565] based on the Catholic encyclical Rerum Novarum 1891 which expressed a concern from the Catholic Church about the lack of institutions to protect the working class. In the Rerum Novarum Pope Leo XIII noted "that some opportune remedy must be found quickly for the misery and wretchedness pressing so unjustly on the majority of the working class: for the ancient workingmen's guilds were abolished in the last century, and no other protective organization took their place[566]." The International Federation of Christian Trade Unions thus positioned itself between unprotected capitalism and both the International Federation of Trade Unions and the communist Red Trade Union International in 1921 which ran until 1937[567].

In 1945 there was an attempt to unify the trade union internationals under one banner through the formation of the World Federation of Trade Unions[568]. This attempt quickly failed as the International Federation of Christian Trade Unions pulled out of the unification process entirely[569] suggesting that the unity between the Communist and non-Communist trade unions was too artificial and that the independence of the Christian body needed to be maintained[570]. As it turned out their assessment of the intra-union partnerships proved to be correct as in 1949 the social democratic and national unions of Western Europe and the

[565] World Confederation of Labour. (2010). *Brief Historical Survey.* Available from: http://www.cmt-wcl.org/cmt/ewcm.nsf/_/ADE7EA5D9CAB04DAC1256E13004F24DF?OpenDocument [Online] Last accessed: 31 October 2010. See also: Traub-Merz, Rudolf and Eckl, Juergen. (2007). *International Trade Union Movement: Mergers and Contradictions*. Friedrich Ebert Stiftung: Bonn. p2.
[566] Pope Leo XIII. (2010). *Rerum Novarum.* Available from: http://www.vatican.va/holy_father/leo_xiii/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum_en.html [Online] Last accessed: 31 October 2010.
[567] Traub-Merz, Rudolf and Eckl, Juergen. (2007), p2. See also: Segal, Melvin J. (1953). International Trade Union Organizations. *Review of Social Economy*, Vol 11, Iss 2, pp119-140.
[568] Traub-Merz, Rudolf and Eckl, Juergen. (2007), p2.
[569] *Ibid.,* See also: World Confederation of Labour. (2010).
[570] *Ibid.,*

United States withdrew from the World Federation of Trade Unions to form the International Confederation of Free Trade Unions[571].

From this point until the end of the Cold War the three way split in trade union internationals remained. The only notable change during this period was the renaming of the International Federation of Christian Trade Unions to become the World Confederation of Labour in recognition of the organization's attempt to diversify to become an "international trade union of faithful workers[572]." To this end a conference was held in Saigon in 1959 which agreed that there was a common ethical basis on which the organization could orient itself not limited to Christianity. In 1968 in Luxembourg the 16th Congress of the International Federation of Christian Trade Unions renamed itself the World Confederation of Labour and declared the central organizing principle of "either a spiritual concept based on the conviction that man and universe are created by God, or other concepts that lead together with it to a common effort to build a human community united in freedom, dignity, justice and brotherhood[573]."

The end of the Cold War brought about a number of changes in the international trade union movement. Firstly a rapid decline occurred in membership levels of the World Federation of Trade Unions, with many formerly affiliated union confederations transferring their allegiance to the ICFTU[574]. In 2009 the WFTU

[571] International Confederation of Free Trade Unions. (1999). *Trade Union World.* Available from: http://www.icftu.org/displaydocument.asp?Index=990909001&Language=EN [Online] Last accessed: 31 October 2010. See also: Traub-Merz, Rudolf and Eckl, Juergen. (2007), p2. See also: World Federation of Trade Unions. (2010). *The Founding Congress.* Available from: http://www.wftucentral.org/?page_id=79&language=en [Online] : 31 October 2010.
[572] World Confederation of Labour. (2010).
[573] *Ibid.,*
[574] Traub-Merz, Rudolf and Eckl, Juergen. (2007), p2. See also: MacShane, Denis. (1990). W.F.T.U. Congress: Statist Unions Wither Away. *The Nation.* Vol 251, Iss 18, p646. See also: A. Herod, 'Of Blocs, Flows and Networks: The end of the Cold War, cyberspace, and the geo-economics of organized labor at the fin de millenaire', in A. Herod, G. Tuathail, and S. Roberts (eds.). (1998). *An Unruly World?* London and New York: Routledge, p177. See also: Peter Waterman. (2001). *Re: WFTU exists*. Available from: http://www.hartfordhwp.com/archives/26/047.html [Online] 31 October 2010.

is, by its own admission, limited to 70 million members in 95 countries[575]. This however is a matter of conjecture, as the International Institute of Social History estimated their membership to be only 1.7 million in 2003[576]. Irrespective of this while the ICFTU and the WCL were the principal beneficiaries of the collapse of the Soviet Union, they too saw a decline in membership and resources in the face of pressures associated with globalization.

As early as 1999 former ICFTU president Bill Jordan argued for an amalgamation of the union federations, citing globalization as the main reason that unions should not duplicate their efforts[577]. In 2004 the ICFTU conference in Miyasaki, Japan considered the unification of the ICFTU with the WCL[578]. Following this in 2006 the newly formed International Trade Union Confederation held its founding conference in Vienna in which the two organizations were merged into one. It is clear from the comments of both former general secretary of the WCL, Willy Thys[579], and former general secretary of the ICFTU Guy Ryder[580] who became president of the ITUC following this congress, that the merger was a specific response to the threat of globalization.

As a relatively new global force, at least in its current form, it is not possible to properly analyze the ITUC in terms of the success or failure of its policies in terms of their success or failure in strengthening the position of labour against capital. Despite this the ITUC can be seen in continuity with its predecessor

[575] World Federation of Trade Unions. (1999). *COSATU 10th National Congress: Speech of WFTU General Secretary.* Available from: http://www.wftucentral.org/?p=2832&language=en [Online] Last accessed: 31 October 2010.
[576] International Institute of Social History. (2003). *World Federation of Trade Unions (WFTU).* Available from: http://www.iisg.nl/archives/gias/w/10777227.html [Online] Last accessed: 31 October 2010.
[577] Taylor, Robert. (1999). Unions Aim at Global Shakeup. *Financial Times.* Jun 30, p3
[578] Bianchi, Stefania. (2004). Labor: Giant International Unions to Explore a Merger. *Global Information Network.* Dec 2, p1. See also: M2 Presswire. (2004). ICFTU: Congress delegates tackle issue of merger in trade union movement. *M2 Presswire.* Dec 7, p1. See also: Barber, Brendan. (2004). Workers of the world are uniting. *Financial Times.* Dec 7, p32.
[579] M2 Presswire. (2006). ICFTU: Strength in Unity: A New International Trade Union Federation is Born. *M2 Presswire.* Nov 1, p1.
[580] *Ibid.,*

institutions and thus an analysis of the efforts of the ICFTU is suitable in terms of evaluating the problems and prospects of the global union movement. Examples of the political work of the ICFTU that immediately preceded the merger with the WCL will be taken in order to illustrate the positive and negative aspects of its international organizing and campaign strategies in order to attempt to capture the essence of the ICFTU and the global union movement as it stands as a political force.

The most significant global campaign entered into by the ICFTU in the era of globalization was its attempt to make core labour standards an essential component of agreements made at the WTO. According to Anner the ICFTU was active in lobbying for a working group on labour standards at GATT in the 1970s and 1980s. Following this the ICFTU also promoted the issue at the 1994 meeting of GATT in Morocco as well as at the Uruguay round[581]. In addition to this the ICFTU joined in the protests at the Seattle WTO Ministerial meeting in 1999 sending roughly 100 international delegates in addition to the US labour unions who participated[582]. Despite the notable achievement of raising awareness of labour rights worldwide, the task of establishing a labour standards working group within the WTO was unfulfilled and as such the campaign for a 'social clause' that brought core labour standards to WTO trade arrangements can only be seen as a failure. In addition to this the failure of this campaign is a result of a failure to convince governments of the South that core labour standards would be advantageous for them.

It is notable that despite the lack of enthusiasm from the perspective of South country governments to pursue the trade-labour standards linkage, there is considerable union support in the South (as well as the global North) for a linkage between Trade and Labour Standards as demonstrated by Griffin et

[581] Anner, Mark. (2001). The International Trade Union Campaign for Core Labour Standards in the WTO. *Working USA.* Vol 5, No 1, p46.
[582] *Ibid.,* p44.

al[583]. The work by Griffin et al also reveals however that the majority of trade unionists in the global South have little confidence that employers or indeed their national governments could be convinced toward this position[584].

In attempting to examine the causes of this failure and to decide whether or not the group would continue funding the ICFTU campaign for core labour standards to become a fundamental part of trade agreements in the WTO, the Norwegian Confederation of Trade Unions, LO-Norway, commissioned a report into the failure of the ICFTU campaign. The findings of the report written by Mark Anner, a long time trade unionist with significant experience in Central America, were later published in *Working USA: The Journal of Labor and Society*. This report outlined several key weaknesses in the ICFTU which contributed to the failure of the campaign including: participation levels of Southern unionists, the selection of the campaign goals and base level participation in the campaign as the key strategic weaknesses of the campaign. These examples will be expanded upon in order to demonstrate the fundamental weaknesses of the international labour movement as it stands.

In terms of the participation of Southern unionists in the overall campaign it was recognized by LO-Norway that the ICFTU achieved a great deal of participation in terms of getting Southern unionists to implement the decided strategies[585], which were to develop an overall rationale in support of the ICFTU campaign, to inform affiliate organizations of the ICFTU through regional and sub regional activities, and to use national affiliate organizations to lobby governments[586]. What they saw as a key failure however was that Southern unionists were not so actively involved in the creation of the actual strategy itself which led to a lack

[583] Griffin, Gerald, Nyland Chris, O'Rourke, Anne. (2003). Trade Unions and the Trade-Labour Rights Link: A North-South Union Divide? *The International Journal of Comparative Labour Law and Industrial Relations.* Vol 19, Iss 4, p483.
[584] *Ibid.,* p484-5.
[585] Anner, Mark. (2001). Evaluation Report: ICFTU Campaign for Core Labour Standards in the WTO. Available from: http://icftu.org/www/doc/TilsEval2001.doc [Online] p4. Last accessed: 31 October 2010.
[586] *Ibid.,* p12.

of identification between the Southern unionists and the campaign, as well as inappropriate strategies being pursued for the ground reality of the global South.

According to the report it was identified by the Congress of South African Trade Unions (COSATU) that there is a difference in the relationship between governments and trade unions in North countries and in South countries, both in terms of the level of influence and the means by which this influence is obtained[587]. Whereas political lobbying is the primary strategy for influencing governments in the global North, political mobilizations are the primary strategy for influencing governments in the global South[588]. As such when the ICFTU elected to centre its campaign on the lobbying of governments it selected a strategy with limited relevance to the largest labour markets in the world.

Secondly in terms of the actual goals of the campaign, it was again noted that the Southern unionists' goals did not form part of the ICFTU campaign strategy. This led to a generalized feeling that it was not a campaign relevant to the global South, a feeling which fed into the free trade arguments that core labour standards were a form of Northern protectionism. As Ebrahim Patel, then Deputy Secretary of COSATU suggested:

> "We haven't succeeded in making the social clause a demand of the South. It is still a demand of the North supported by some unions in the South. We need to shift the epicentre to the South to the point that it is our campaign supported by the ICFTU and affiliates in the North as opposed to being seen to be a northern campaign supported by unions in the South[589]."

[587] *Ibid.,* p22.
[588] *Ibid.,* p4.
[589] Anner, Mark. (2001). The International Trade Union Campaign for Core Labour Standards in the WTO, p55-6.

COSATU went further to suggest that there was insufficient evidence of actual solidarity between the Northern workers and unions in terms of their preparedness to support certain goals which would be advantageous for the global South. In the LO-Norway report, Ammer suggested that northern unionists would have to show that they are prepared to pressurize their governments to allow for greater market access for products from poor countries and that without that evidence of a genuine partnership, that it would be difficult to make the campaign a success in the global South[590]. Patel further suggested that "If a union in a First World country speaks on behalf of workers in the Third World there is a degree of public skepticism. So therefore you need action that backs up that talk that says, 'look, here are the actual sacrifices that we are prepared to make[591]."

In terms of the overall goals of the campaign there was yet another contradiction between North and South unions. In his report Ammer noted that the view from both South Africa[592] and Brazil[593] is that employment and development are the central concerns of workers in the global South. In contrast to this is the persistently defensive position against offshoring which is central to the position of many North country unions such as in Australia (the Australian Council of Trade Unions, Australian Services Union, Australian Workers Union, Maritime Union of Australia[594]), Britain (Communication Workers Union, Public and

---

[590] *Ibid*, p22. .
[591] *Ibid*, p56.
[592] *Ibid.,* p21.
[593] *Ibid.,* p26.
[594] Australian Services Union. (2008). *Unions Launch Offensive Against Outsourcing.* Available from: http://www.asumembers.org.au/downloads/newsletters/ONESKYNEWS_0608_Final_e.pdf [Online] Last accessed: 31 October 2010. See also: Maritime Union of Australia. (2010). *NZ Wharfies Fight Outsourcing in Auckland.* Available from: http://www.mua.org.au/news/nz-wharfies-fight-outsourcing-in-auckland/ [Online] Last : 31 October 2010. See also: Australian Broadcasting Corporation. (2003). *Unions Consider Legal Fight Over BHP Outsourcing Plan*. Available from: http://abc.gov.au/news/stories/2003/03/14/806960.htm [Online] Last : 31 October 2010. See also: Australian Council of Trade Unions. (1997). *Outsourcing, Casualisation and Part Time Work Resolution ACTU Congress 1997*. Available from: http://www.actu.org.au/Images/Dynamic/attachments/5153/ACTUCongress1997_Outsourcing_Casualisation_and_Parttime_Work_Resolution.pdf [Online] : 31 October 2010.

Commercial Services Union and Unison[595] [596]), Denmark (HK Privat[597]), Germany (Ver.Di, [598]) , Italy (FILCAMS-CGIL, FISASCAT-CISL and UILTuCS-UIL[599]), Japan (General Union[600]), New Zealand (Maritime Union, MUNZ, the Rail and Maritime Transport Union (RMTU), EPMU, National Distribution Union, New Zealand Merchant Service Guild and Aviation and Marine Engineers Association[601]) and the US. An example of a position which is nationalistic rather than solidaristic focusing on national job loss, rather than solidarity within the global economy comes in the form of the AFL-CIO[602]:

> "Since 2001, the nation has lost more than 2.5 million manufacturing jobs and more than 850,000 professional service and information sector jobs…Various independent estimates indicate the number of white-collar jobs lost to shipping work overseas over the past few years is in the hundreds of thousands and millions are at risk in the next five to ten years. But the number of jobs lost need not be overwhelming in order to concern policymakers: increased overseas outsourcing also undermines wages and

[595] The Outsourcing Weblog. (2006). *British Unions: No to Outsourcing.* Available from: http://www.outsourcing-weblog.com/50226711/british_unions_no_to_outsourcing.php [Online] Last accessed: 31 October 2010.
[596] Computerweekly.com. (2005). Union to fight British Gas IT outsourcing plans. Available from: http://www.computerweekly.com/Articles/2005/07/22/211013/union-to-fight-british-gas-it-outsourcing-plans.htm [Online] Last accessed: 31 October 2010.
[597] HK Privat. (2005). *National Report on Offshore Outsourcing in Denmark.* Available from: http://www.uniglobalunion.org/unisite/sectors/ibits/moos/reports%20pdf/National_report_offshore%20outsourcing%20in%20Denmark_2_5_2005.pdf [Online] Last accessed: 31 October 2010.
[598] European Federation of Public Service Unions. (2006). *German Unions Fight Outsourcing in Swedish Energy Company Vattenfall – Strike Action Threatened.* Available from: http://www.epsu.org/a/1845 [Online] Last accessed: 31 October 2010.
[599] IUF. (2009). *Italian Unions Oppose Layoffs, Outsourcing at Ciga Starwood Hotels.* Available from: http://cms.iuf.org/?q=node/28 [Online] Last accessed: 31 October 2010.
[600] ELT News. (2010). *Fukuoka General Union Attacks the outsourcing of ALT jobs to dispatch companies.* Available from: http://www.eltnews.com/news/archives/2010/03/fukuoka_general.html [Online] Last accessed: 31 October 2010.
[601] Maritime Union of Australia. (2010). *NZ Wharfies Fight Outsourcing in Auckland.* Available from: http://www.mua.org.au/news/nz-wharfies-fight-outsourcing-in-auckland/ [Online] Last accessed: 31 October 2010.
[602] AFL-CIO. *Shipping Jobs Overseas: How Real is the Problem.* Available from: http://www.aflcio.org/issues/jobseconomy/jobs/outsourcing_problems.cfm [Online] Last accessed: 31 October 2010.

working conditions in those jobs left behind and threatens the long-term health of the economy[603]."

In taking a nationalist position such as this the AFL-CIO draws a line of demarcation between the countries who are gaining employment due to outsourcing and the countries that are losing employment due to outsourcing and in doing so torpedoes international solidarity efforts. This is not to say that there is anything normatively wrong with what the AFL-CIO or the other unions are doing. As Perry notes, outsourcing at best will weaken the institutional base of a union by reducing the inflow of union dues, and at worst will lead to an exodus of certain kinds of employment from a country[604]. The point here is to highlight the structural contradiction between the interests of workers in the global North and those in the global South.

In terms of the base level participation of the campaign it was recognized that both the North Unions and the South Unions fared poorly in getting mid-level and grassroots participation in the campaign. The Central Única dos Trabalhadores (CUT) in their discussions with Ammer noted that "to lobby, only a few top leaders need to be informed of the issues. To achieve change through mobilization, a very large group of workers need to be educated on the issues[605]." Thus while base-level participation in the international campaign is not such a problem for Northern unions who have the capacity to lobby Northern governments, it does represent a problem for Southern unions who lack this capacity.

It is notable that each of the problems discussed with the ICFTU campaign feed into each other. Lack of base level participation in campaigns is due to inadequate involvement of Southern unions but also because the goals selected

[603] *Ibid.*
[604] Perry, Charles. (1997). Outsourcing and Union Power. *Journal of Labor Research.* Vol 18, Iss 4. pp521-534.
[605] Anner, Mark. (2001). Evaluation Report: ICFTU Campaign for Core Labour Standards in the WTO, p24.

are not the most appropriate for Southern workers. That the goals selected for the campaign are not the most appropriate are due to the fact that Southern unions are inadequately involved. The question then becomes one of why Southern unions are inadequately involved.

Ammer suggests that there is a critical difference in the power and influence that North and South unions have within their given national frameworks. He suggests that due to the "distorted and partial patterns of industrialization in many countries in the South, many southern industrial unions never acquired the degree of power and representativity enjoyed by unionists in the North[606]." In recalling how representation within the ICFTU is determined it is useful to remember this.

Historically the number of delegates each national confederation was allowed to send to the ICFTU was determined by a matrix that is very similar to the current ITUC formula with the extra proviso that individual trade unions could affiliate to the ICFTU[607]. Considering this in conjunction with the patterns of industrialization and corresponding unionization that are prevalent in the global political economy facilitates a greater understanding of the issue. Table 13 shows the size of the labour force, numbers of workers in ITUC affiliated unions, and numbers of ITUC delegates based on data collected from the ITUC[608], and Encyclopedia of Nations[609], and through an application of the ITUC formula for calculating how many delegates to the ITUC a union is able to claim per registered member.

---

[606] *Ibid.,* p15.
[607] International Confederation of Free Trade Unions. (2004). *ICFTU Constitution.* Available from: http://www.icftu.org/www/pdf/Constitution-18.pdf [Online] Last accessed: 31 October 2010.
[608] International Trade Union Confederation. (2010). *List of Affiliated Organisations.* Available from: http://www.ituc-csi.org/IMG/pdf/No_36_-_Appendix_1_-_Affiliated_Organisations-2.pdf [Online] Last accessed : 31 October 2010.
[609] Encyclopedia of the Nations. (2010). *Labour Force Total – Gender Statistics.* Available from: http://www.nationsencyclopedia.com/WorldStats/Gender-statistics-labor-force.html [Online] Last accessed: 31 October 2010.

Table 13: Key Labour Market Characteristics and ITUC Representation			Source/Calculation
	North	South	
Labour Force	567,117,000	2,555,915,000	Encyclopedia of Nations
% Global Labour Force	18	82	
Unionized Workers	97,220,000	78,243,000	ITUC List of Affiliated Organizations
% Union Density	17	3	ITUC Unionized workers as % of total Labour Force
Workers in Countries with no ITUC representation	0	1,030,218,000	Total labour force in countries with no ITUC representation.
% Workers in Countries with no ITUC representation	0	40	Workers in Countries without ITUC representation as % of Total Labour Force
Number of Delegates	448	784	Calculated using ITUC constitution
% Delegates	36	64	
Workers per Delegate	1,266,000	3,260,000	Total labour force divided by number of delegates

In addition to this it is important to consider that the overwhelming majority of workers in the world, and particularly in the global South, are non-unionized. It can be seen that the global North has 36% of the delegates to the ITUC but only 18% of the global labour force. The primary reason for this is the overall level of unionization in the global South. Table 13 demonstrates that the average union density in the global South is 3%. By contrast the average union density in the global North is 17%. This leads to a situation where there are 3,260,095 South

country workers per South country ITUC delegate, and 1,265,888 North country workers per ITUC delegate.

As a general rule it can be concluded firstly that unions in the global South are less powerful than those in the global North as the degree of unionization in the South is far less than that in the global North (while noting exceptions to this trend such as Brazil with a relatively higher degree of organization, and the United States with a relatively lower degree of organization). Secondly it can be concluded that as a direct result of this the South is less influential than it should be within international organizations such as the ITUC due to having less delegates per worker than in the global North. Low levels of union density in the global South are a structural explanation for the failure of the ITUC to engage in campaigns which are strategically meaningful and tactically relevant for the global South.

In addition to this there is the separate issue that the unionized population in the global South are such a minority of the total labour force and that as such the unions are not representative of labour as a whole. As mentioned previously, Singh and Zammit have noted that only 15% of workers in the global South are subject to a formal wage contract[610]. This in conjunction with the low level of unionization in the global South suggests that the majority of labourers in the global South are inadequately represented at the ITUC. It is this position that leads critics such as Peter Waterman to suggest that the international trade union movement and the ILO should be reorganized to recognize non-unionized workers[611].

For the international trade union movement as a whole then one of the critical issues remains the need to increase union presence and union density in the

[610] Singh, A and Zammit, A. (2000).
[611] Waterman, Peter. (2006). *A Global Labour Charter Movement.* Available from: http://www.globallabour.info/en/2007/05/a_global_labour_charter_moveme.html [Online] Last accessed:: 31 October 2010.

global South who comprise the majority of the global labour market. Due to the patterns of development and levels of industrialization in the global South, the large informal sector and the predominance of the agricultural sector, there are objective hurdles placed in front of the Southern unions and the international labour movement as a whole. In addition to this efforts involving the global South have been hampered by both neglect and the defensive nationalism of the North countries' unions. On the basis of the above structural features of international unionism it is possible to understand how the ICFTU and later the ITUC have not been able to respond adequately to these challenges.

There is also the problem of sectors which simply have no representation at all. In their information booklet *Building Workers Human Rights into the Global Trading System* the ICFTU bemoaned the fact that the People's Republic of China had the worlds largest manufacturing workforce and yet these workers have no independent trade union representation, with the state run All China Federation of Trade Unions and its 150 estimated members constituting the extent of union representation in China[612]. It is true that the ACFTU is not a body that is representative or accountable to members[613], and even actively participates in the suppression of independent NGOs and fledgling trade unions on behalf of the Chinese Communist Party[614]. The fact remains however that the ICFTU's work on China is limited to writing criticism of the PRC[615] [616],

[612] China Development Gateway. (2006). *Trade Union Creates 120,000 More Branches.* Available from: http://www.china.org.cn/english/China/174025.htm [Online] Last accessed: 31 October 2010.
[613] Wang, Kan. (2007). A Changing Arena of Industrial Relations in China: What is happening after 1978. *Employee Relations.* Vol 30, Iss.2, p200.
[614] *Ibid.,* See also: Zhongguo Wang. (2007). *ACFTU: labour dispute kept high and preventing hostile forces from entering and harming, 30 January,* Available from: www.china.com.cn/news/txt/2007-01/30/content_7736389.htm [Online] Last accessed: 31 October 2010. See also: Chen, F. (2006). Speech for the Seventh Plenary of the Fifth Municipal Education Workers' Union, 11 January. Dalian Municipal Federation of Trade Unions: Dalian.
[615] International Confederation of Free Trade Unions. (2005). *China: Don't Believe the Hype.* Available from: http://www.icftu.org/displaydocument.asp?Index=991223214&Language=EN [Online] Last accessed: 31 October 2010.
[616] International Confederation of Free Trade Unions. (2006). *China: Foul Play in Race to Top Trade Rankings.* Available from:

focusing on specific instances of activist detention or harassment[617] and the fact that China does not allow independent unions[618]. Very little concrete work has gone into bringing about change in China despite what appears to be fertile ground for the development of a labour movement with the number of spontaneous demonstrations of Chinese workers increasing each year from 1995 to 2007[619]. The ICFTU's China policy has been to use ILO monitoring and corporate codes of conduct to achieve change, and to urge any affiliates with any contact with Chinese authorities to lobby for workers rights.

According to a report by the Inter Press Service News Agency, in 2008 the ITUC has shifted its policy in relation to the ACFTU pursuing a strategy of dialogue[620]. Beyond dialogue with the ACFTU however, there is little engagement and the ITUC continues to focus on criticism of China and the ACFTU. In 2007 following the draft of the contract labour law, one of the biggest developments in relation to labour in China during its reform era, the ICFTU commented that: "The ITUC also criticizes the Chinese authorities for their practice of detaining workers solely for the peaceful exercise of their right, recognized under international law, to freedom of association[621]." Such a position is reflective of the fact that the ITUC continues to by and large hold the situation in China up to abstract

---

http://www.icftu.org/displaydocument.asp?Index=991223622&Language=EN [Online] Last accessed: 31 October 2010.

[617] International Confederation of Free Trade Unions. (2006). *Chinese Government Releases Labour Political Prisoners but Harassment Continues.* Available from: http://www.icftu.org/displaydocument.asp?Index=991223467&Language=EN [Online] Last accessed: 31 October 2010.

[618] International Confederation of Free Trade Unions. (2005). *China: Don't Believe the Hype* . See also: International Confederation of Free Trade Unions. (2006). *China, Peoples Republic of: Annual Survey of Violations of Trade Union Rights.* Available from: http://www.icftu.org/displaydocument.asp?Index=991223931&Language=EN [Online] : 31 October 2010.

[619] Wang, Kan. (2007), p190.

[620] Vandaele, John. (2008). International Union Sets Up Chinese Links. *Inter Press Service.* Available from: http://ipsnews.net/news.asp?idnews=40871 [Online] Last accessed: 31 October 2010.

[621] International Trade Union Confederation. (2007). *China: Proposed New Draft Contract Law Fails to Guarantee Fundamental Rights.* Available from: http://www.ituc-csi.org/china-proposed-new-draft-contract.html [Online] Last accessed: 31 October 2010.

standards of criticism without engaging in concrete action in China. In the ITUC's 2010 report on China for instance, the following criticism is made:

> "Workers are not free to form or join trade unions of their choice. Only the All China Federation of Trade Unions (ACFTU) is recognised in law. The ACFTU therefore exercises a trade union monopoly...Organisers of independent trade unions which resist ACFTU assimilation are generally arrested, detained or imprisoned. On the other hand organising trade unions with "Chinese characteristics" is strongly encouraged by ACFTU officials. "Chinese characteristics" comprise, according to the official press agency Xinhua, "the principle of the leadership of the Communist Party of China over the unions", as well as "protecting workers' rights and interests in line with laws and in a scientific manner. Pursuit of harmonious labour relations is another requirement of building trade unions with Chinese characteristics[622]."

Historically the ICFTU (and contemporarily the ITUC) has been outspoken in their criticisms of China and of South country governments in general for their repression of workers rights. Despite this there has not been a corresponding effort to organize within China in order to win workers rights. The fact of China being such an easily exploitable labour force is one of the principal factors which allow other governments in the world to discipline their labour forces. Without achieving some form of success in China in terms of establishing the right to organize the international organizing effort will be that much more difficult.

A general criticism of the ITUC is that it lacks a central organizing vision with which the strength of the union movement across the globe could be improved. Currently the onus of organizing is on the individual unions and national federations. This approach means that unionists in countries where the trade

[622] International Trade Union Confederation. (2010). *Internationally Recognised Core Labour Standards in the People's Republic of China.* Geneva: International Trade Union Confederation, p2.

union movement is weak, suppressed or non-existent face an uphill battle in organizing workers and are not directly assisted by the ITUC. Whether it is the situation in specific countries such as China[623], or wider events such as the global financial crisis[624], the ITUC appears to be merely reacting to situations as they occur with no apparent vision for the global labour force.

Whether devoting resources to fledgling union movements in the South, campaigning for better conditions in the South or attempting to break new ground in hostile territories such as China, the international union movement is in a dilemma that it must act outside the immediate interests of its members in order to safeguard their long-term interests. On the one hand the ITUC is a democratic organization according to its constitution. This means that as a body it has a responsibility to its membership. Time will tell whether or not the member associations of the ITUC will be able to see beyond the narrowness of the membership criterion and direct its organizing efforts primarily to the regions with the least existing influence. Whether or not the political will exists within the Northern unions to do so also remains in question, particularly given that the Northern workers seemingly benefit in some ways from the vulnerability of the Southern workers.

UN Global Compact

The United Nations global compact program is a voluntary corporate responsibility program introduced by then UN Secretary General Kofi Annan at the 1999 World Economic Forum in Davos[625]. The compact is a set of 10 principles concerning Human Rights, Labour, Environment and Anti-Corruption

[623] International Trade Union Confederation. (2010). *News: China, Peoples Republic of.* Available from: http://www.ituc-csi.org/+-china-+.html [Online] Last accessed: 31 October 2010.
[624] International Trade Union Confederation. (2010). *The Impact of the Crisis on Society and Economy.* Available from: http://www.ituc-csi.org/+-el-impacto-social-y-economico-de-+.html [Online] Last accessed:: 31 October 2010.
[625] Rothlin, Stephan. (2010). Towards a Socially Responsible China: A Preliminary Investigation of the Implementation of the Global Compact. *Journal of International Business Ethics.* Vol 3, No 1, p5.

and is drawn from the UN's Universal Declaration of Human Rights, the ILO's Declaration of Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

A number of unions are party to the Global Compact including the ITUC. In 2007 over 5300 companies and a variety of NGOs in 130 countries had also joined the UN global compact[626]. For companies being part of the UN Global Compact means firstly to report on an annual basis their progress in terms of implementing the principles of the UN global compact[627]. Failure to achieve this for two consecutive years will result in a company being listed as inactive in terms of their participation in the compact[628]. Secondly the company may use the UN Global Compact logo only in relation to events that pertain to the promotion of the principles of the UN Global Compact within the company's sphere of influence[629]. Finally companies are subject to a complaint process whereby persons can write to the UN Compact Office which will then communicate with the concerned company and potentially provide advice on how to remedy the situation if it is found that the company is behaving inconsistently with a specified principle[630].

Proponents of the UN Global Compact see it as one of the UN's responses to globalization. In terms reminiscent of Moseley in the previous chapter, Kell and Ruggie argue that in relation to globalization "major capitalist countries have the domestic and institutional capacity to protect themselves from the worst

---

[626] United Nations Global Compact. (2009). *UN Global Compact Participants.* Available from: http://unglobalcompact.org/ParticipantsAndStakeholders/index.html [Online] Last accessed: 31 October 2010.
[627] United Nations Global Compact. (2010). *Integrity Measures.* Available from: http://unglobalcompact.org/AboutTheGC/IntegrityMeasures/index.html [Online] Last accessed: 31 October 2010.
[628] *Ibid.,*
[629] United Nations Global Compact. (2010). *Global Compact Logo.* Available from: http://unglobalcompact.org/AboutTheGC/Global_Compact_Logo/index.html [Online] Last accessed: 31 October 2010.
[630] United Nations Global Compact. (2009).

negative effects of this disequilibrium. The rest of the world, however, is far more vulnerable, and large parts of it, especially in Africa, have become economically marginalized[631]." Kell and Ruggie see the UN Global Compact as an initiative that confronts the Polanyian problem of the disembedding of the market from society and gives momentum to what they see as the growing awareness of the need to develop "shared values and institutionalized practices" in the global market[632].

One of the critical institutions charged with bridging the gap between the market and society according to Kell and Ruggie are the global business associations. Kell and Ruggie suggest that:

> "Only business associations can circumvent the collective action problems faced by individual firms. In the absence of aggregate corporate representation, collective responsibilities can neither be formulated nor implemented. The international community should have a keen interest in promoting representative business associations[633]."

Kell and Ruggie see the principal social agents in a globalized world as being transnational corporations and non-government organizations. The notion that transnational corporations are powerful social actors has met with a relative degree of consensus, however their views on NGOs are worth examining as they are far from universally supported.

The watershed moment for NGOs as a social actor according to Kell and Ruggie is the awarding of the 1997 Nobel Peace Prize to the International

---

[631] Kell, Georg and Ruggie, John. (1999). Global Markets and Social Legitimacy: the case for the 'Global Compact'. *Transnational Corporations.* Vol 8, No 3, p102.
[632] *Ibid.,* p103.
[633] *Ibid.,* p106.

Campaign to Ban Landmines[634]. The authors suggest that the NGOs are able to:

> "use the Internet to tap into broader social movements and gain media attention. Relying on high-technology, low-cost means of grassroots advocacy around single issues; they have demonstrated the effectiveness of decentralized and flexible structures combined with non-formalized communication and decision making[635]."

The role of NGOs and decentralized decision making will be considered in the next chapter in relation to the World Social Forum so it will not be discussed here, however as will be discussed in the following chapter, there is little evidence to date that this social actor and this stratagem has been able to achieve social change.

Sethi observes that there are two distinct approaches that NGOs bring in their interaction with transnational corporations[636]. On the one hand there is a confrontational approach which centred on protest, litigation and boycotts[637]. This approach will be discussed in the next chapter in relation to the World Social Forum. The approach that links most closely with the UN Global Compact however is the strategic partnership approach whereby NGOs enter into partnerships with transnational corporations.

Fundamental to the optimism of the proponents of the UN Global Compact is their view that the Achilles heel of the transnational corporations is their desire to protect their corporate image[638]. It is for this reason that Kell and Ruggie

---

[634] *Ibid.,* p107.
[635] *Ibid.*
[636] Sethi, S. Prakash (1994). *Multinational Corporations and the Impact of Public Advocacy on Corporate Strategy. Nestle and the Infant Formula Controversy,* In, Kell, Georg and Ruggie, John. (1999), p109.
[637] *Ibid.*
[638] Kell, Georg and Ruggie, John. (1999), p110.

conclude that the UN Global Compact will be appealing to transnational corporations noting that:

> "One can readily appreciate why corporations would be attracted to the Global Compact. It offers one stop-shopping in the three critical areas of greatest external pressure: human rights, environment and labour standards, thereby reducing their transaction costs. It offers the legitimacy of having corporations sign off onto something sponsored by the Secretary-General – and, far more important, the legitimacy of acting on universally agreed to principles that are enshrined in covenants and declarations[639]."

In contrast to the optimism of its proponents the UN Global Compact has attracted substantial criticism. The Compact has been shown by various commentators to be amongst other things vague, avoidable, unverifiable, unenforceable, manipulable and unworkable without the support of strong domestic institutions. The following summarises the perspectives from which the UN global compact has been criticized, collating evidence as to the Compact's shortcomings.

The UN Global Compact has been criticized for containing vague principles and for representing a minimalist code of conduct[640]. This has been seen as having negative impacts for both corporations who are actively seeking to comply with the UN Global Compact[641] as well as those who are seeking to circumvent it[642]. An example of the impact of the vagueness of the principles comes in the form of Australian mining company BHP Billiton. Despite being party to the global compact and in theory accepting the principle of recognising the right to

---

[639] *Ibid.,* p116.
[640] Murphy, Sean. (2005). Taking Multinational Corporate Codes of Conduct to the Next Level. *Columbia Journal of Transnational Law.* Vol 43, Iss 2, p425.
[641] Tavis, Lee. (2003). Novartis and the UN Global Compact Initiative. *Vanderbilt Journal of Transnational Law.* Vol 36, p740.
[642] Deva, Surya. (2006). Global Compact: A Critique of the UN's 'Public-Private' Partnership for Promoting Corporate Citizenship. *Syracuse Journal of International Law and Commerce.* Vol 34, Iss 1, p129.

effective collective bargaining, BHP required all new employees at its Pilbara mine sites to sign individual contracts[643]. Following complaints made by the Construction, Forestry, Mining and Energy Union, the UN Compact Office advised BHP that the Compact Office does not expect BHP to change its industrial relations framework as a result of signing onto the UN Global Compact, endorsing BHP's actions[644].

The extent of non-participation is another point of criticism in relation to the UN Global Compact. In 2004 the United Nations Conference on Trade and Development suggested there were 63,854 parent corporations and 866,119 affiliates[645]. Based on this figure even the most recent estimate by the UN of 5,300 companies being party to the UN Global Compact shows the lack of coverage which characterises the UN Global Compact.

Continuing on the theme of coverage it is notable that coverage within the UN Global Compact is disproportionately concentrated within Europe with Deva noting that in 2006 "almost 49% of the total participants are based in Europe[646]." Notably the North American region accounts for, at the most, 8% of the total parties to the UN Global Compact[647]. This suggests a failure to convince large numbers of US parent companies to become party to the compact. The whole of Asia accounts for 17% of companies who are party to the compact while there are relatively few companies from "Africa (3.45%), the Middle East (1.79%) and Australasia (0.72%)[648]." This calls into question the extent to which the compact is truly global in nature.

---

[643] Watson, Bruce. (2004). UN Catches BHP Out in Australia. *Common Cause.* Vol 69, Iss 6. p4.
[644] Deva, Surya. (2006), p132.
[645] United Nations Conference on Trade and Development. (2004). *Development and Globalisation: Facts and Figures.* In, Deva, Surya. (2006), p134.
[646] Deva, Surya. (2006), p136.
[647] *Ibid.*
[648] *Ibid.*

In addition to this out of the companies that do sign up to the UN Global Compact, approximately one quarter have not met the reporting requirements for the compact. These requirements stipulate that a company must report to the UN Compact Office in terms of their progress in implementing the compact principles every year and that failure to do so will see them as being listed as inactive. Deva found that approximately one quarter of companies have failed to meet these reporting requirements leading him to conclude "that many corporations have become party to the Global Compact either without realising what it entails, or are consciously embracing the Compact as a public relations exercise[649]."

Commentators have levelled a number of additional criticisms against the UN Compact. Firstly it is argued that the UN Compact lacks any sense of direction. Deva for instance comments that the Compact does not stipulate what its objectives are and that "it is still not clear or certain what it wants to achieve and what it leaves to be achieved by other regulatory initiatives[650]."

In addition to this there is no capacity to independently verify claims made by corporations or to monitor their behaviour. Hillemanns comments that companies "may have done so (signed onto the Compact) merely for public relations purposes and their participation does not seem to have had any real impact on their business behavior[651]." Worse still there is the possibility that corporations have simply taken advantage of the global compact to promote themselves as responsible corporate citizens. The example of BHP Billiton is cited by Deva who notes that BHP on their website and on various reports represent that they are committed to UN Global Compact principles despite not upholding them in practice[652].

---

[649] *Ibid.,* p140.
[650] *Ibid.,* p144.
[651] Hillemanns, Carolin. (2003). UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights. *German Law Journal.* Vol 4, Iss 10. p1069.
[652] Deva, Surya. (2006), p148

In addition to lacking the ability to verify claims made by corporations, or to monitor their behavior is the inability of enforcing the UN Global Compact. Instruments such as the WHO Framework Convention on Tobacco Control provide examples where binding regulations were brought into play at the UN level that targeted transnational corporations through national legal mechanisms[653]. By contrast the UN global compact depends on persuading corporations that adherence to the principles makes them better off. Despite the claims from proponents of the Compact that transnational corporation's weakness is their global image, it is notable that the UN Compact Office does not even go so far as to publicise the behavior of a corporation which is in violation of one of the compact's principles, it merely communicates on a private and bilateral basis with the corporation in question[654].

The final criticism to be noted is of particular relevance for this thesis in that the very ability of the UN Global Compact to act as a global institution without supporting national institutions is called into question. Chen and Bouvain in a comparative study of various countries conclude that:

> "Global Compact membership is having an effect only in certain areas of CSR (Corporate Social Responsibility) reporting, related to the environment and workers, and that businesses from different countries vary significantly in the extent to which they promote CSR and the CSR issues that they choose to emphasize in their reports[655]."

[653] Sagafi-Nejad, Tagi. (2005). Should Global Rules Have Legal Teeth? Policing (WHO Framework Convention on Tobacco Control) vs. Good Citizenship (UN Global Compact). *International Journal of Business.* Vol 10, Iss 4, p372.
[654] Sharma, A K and Tyagi, Rupal. (2010). CSR and Global Compact: The Indian Perspective. *IUP Journal of Corporate Governance*. Vol 9, Iss 3, p65.
[655] Chen, Stephen and Bouvain, Petra. (2009). Is Corporate Responsibility Converging? A Comparison of Corporate Responsibility Reporting in the USA, UK, Australia, and Germany. *Journal of Business Ethics.* Vol 87. p299.

If, as it seems, the effectiveness of corporate social responsibility generally, and the UN Global Compact specifically are dependent on the strength of national institutions then this largely excludes the global South from its scope of impact.

At an industry level the notion of encouraging corporations to pursue voluntary cooperation has also been developed through global framework agreements (also referred to as international framework agreements). These agreements are negotiated between transnational corporations and the relevant global union federation for the industry concerned[656]. They involve transnational corporations voluntarily agreeing to ILO labour standards as well as any other conditions that are agreed between the parties. The first global framework agreement was signed between French Food company Danone and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations in 1989[657]. Since then, a number of agreements have been signed between transnational corporations and the relevant union federation as indicated in Table 14[658]. International Framework Agreements provide a formal structure through which unions can voice their concerns to a corporation and provide a structure for monitoring and negotiation between the unions and the corporation[659].

[656] United Nations Global Compact. (2010). *Global Framework Agreements.*
[657] Torres, Liv and Gunnes, Stein. (2003). *Global Framework Agreements: a new tool for international labour.* Available from: http://www.global-labor.org/globalframework.pdf [Online] Last accessed: 31 October 2010, p9.
[658] *Ibid.,*
[659] Fairbrother, Peter and Hammer, Nikolaus. (2005). Global Unions: Past Efforts and Future Prospects. *Relations Industrielles.* Vol 60, Iss 3, p419.

Table 14: Corporations and Unions who have signed International Framework Agreements		
Name	Sector	Global Union Federation
Accor	Travel & Leisure	IUF
Aktiebolaget SKF	General Industrials	IMF
ArcelorMittal	Industrial Metals & Mining	IMF
BMW AG	Automobiles & Parts	IMF
BSH Bosch und Siemens...	Household Goods & Home Construction	IMF
Carrefour	General Retailers	UNI
Danone	Beverages	IUF
Danske Bank Group	Financial Services	UNI
EADS NV	Aerospace & Defense	IMF
EDF	Gas, Water & Multiutilities	ICEM / PSI
ENI	Oil & Gas Producers	ICEM
Faber-Castell	General Retailers	IFBWW
France Telecom	Fixed Line Telecommunications	UNI
G4S Security Services (Cyprus)	Support Services	UNI
H & M	Personal Goods	UNI
IKEA Group	General Retailers	IFBWW
ISS A/S	Support Services	UNI
Lafarge	Construction & Materials	IFBWW / ICEM / WFBW
Lukoil	Oil & Gas Producers	ICEM
Norske Skogindustrier	Forestry & Paper	ICEM
OTE S.A. - Hellenic...	Fixed Line Telecommunications	UNI
Portugal Telecom	Fixed Line Telecommunications	UNI

Table 14: Corporations and Unions who have signed International Framework Agreements		
Name	Sector	Global Union Federation
PSA Peugeot Citroen	Automobiles & Parts	IMF
Renault SAS	Automobiles & Parts	IMF
Rhodia	Chemicals	ICEM
Skanska AB	Construction & Materials	IFBWW
Statoil	Oil & Gas Producers	ICEM
Svenska Cellulosa...	Household Goods & Home Construction	ICEM
Telefónica S.A.	Fixed Line Telecommunications	UNI
Volkswagen AG	Automobiles & Parts	IMF

Proponents of global framework agreements advocate for the agreements along much similar lines to the proponents of the UN Global Compact. Arguments are centred around the competitive advantage being part of such an agreement has for a company which signs it in terms of being able to promote itself as a responsible employer[660]. A signatory to a global framework agreement however is likely to be subject to monitoring by one of the global union federations or its affiliates and as such the global framework agreements go beyond what is involved in the UN Global Compact. Despite this there are a number of drawbacks in relation to the global framework agreements.

It is in recalling the discussion about buyer driven commodity chains where the lead firm does not exercise control over its suppliers that International Framework Agreements (IFA) are ineffective. An example of this is to be found in the Renault IFA which states that Renault agrees to “inform its own suppliers

[660] UNI Global Union. (2010). *Global Agreements.* Available from: http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090226_ml9xEn [Online] Last accessed: 31 October 2010.

of the contents of this declaration…and urges them to consider adhering to it[661]." As such lead firms are not bound to ensure conditions of an IFA are met by their existing suppliers or to seek suppliers who meet the conditions of an IFA. There is a notable exception to this situation in the form of the IKEA IFA. The IKEA IFA provides for the right for IKEA to terminate contracts with suppliers should the suppliers fail to meet the conditions of IKEA's IFA. By using IFAs to exercise control over the production process, IKEA are turning their commodity chain into one that is producer driven. This comparison reveals that the real problem with this approach is that it is dependent on good will on the part of the corporation.

Aside from the issue of whether or not IFAs can be enforced on supplying firms within commodity chains is the issue of whether the unions are able to negotiate IFAs with every company in a given industry. There are a number of examples such as Nestlé, Unilever, General Motors, General Electric, Siemens and Fiat where the global unions have failed to persuade the corporations to enter into an IFA[662]. Miller, a union activist for the International Textiles and Garment Workers Federation and academic at the University of Northumbria, noted that corporations often reject the signing of IFAs on the basis of opposition to interference from the union movement in the running of the corporation, or because other instruments such as voluntary codes of conduct are already in place[663].

A case study of the EuroCorp IFA was conducted by Egels-Zanden to determine the reasons why corporations sign IFAs. The case study indicates that the four most prominent assumptions in the academic literature on why corporations

---

[661] Wilke, Peter and Schuetze, Kim. (2008). *Background Paper on International Framework Agreements for a meeting of the Restructuring Forum devoted to transnational agreements at company level*. Available from: http://www.anticipationofchange.eu/fileadmin/anticipation/Logos/Documents/new_set_5509/pres/Wiltke.pdf [Online] Last accessed: 31 October 2010, p10.
[662] *Ibid.,* p11.
[663] Miller, Doug and Grinter, Steve. (2003). International Framework Agreements in the Global Textile, Garment and Footwear Sector. *Managerial Law.* Vol 45, Iss 3, p114.

sign IFAs, improving/maintaining/restoring legitimacy, avoiding government interference, organizational ethics, and to achieve competitive advantage were in fact not factors in the decision by EuroCorp.

Egels-Zanden found that the reason EuroCorp signed the IFA was to maintain its existing cooperative relationship with the union movement. Egels-Zanden observes that "the main, and perhaps only, reason why EuroCorp took the additional step of adopting an IFA was that the enterprise-level union continuously pressured it to do so and that EuroCorp wanted to retain the perceived positive corporate–union relationship[664]." Further to this Egels-Zanden concluded that if the union movement is the force behind the drive to sign an IFA, then the determining factor as to whether the corporation will sign the IFA is likely to be the existing relationship between the union and the corporation[665]. If a cooperative relationship with the union movement is a necessary precondition for the signing of IFAs, then it is unlikely that IFAs are going to be useful in terms of countries with underdeveloped union movements.

Both the UN Global Compact and the Global Framework Agreements are important in that they provide a reference framework with which labour through NGOs and trade unions are able to engage with participating corporations. Despite this, as discussed above, there are major problems with both approaches in that they cover a very small percentage of corporations, they are largely unenforceable, and they have appeared to be more relevant in countries where national institutions are already strong, meaning they are unlikely to have much effect in the global South.

The country which hosts the parent company is also an important factor as to whether a company is likely to sign a global framework agreement. In chapter 5

[664] Egels-Zanden, Niklas. (2009). TNC Motives for Signing International Framework Agreements: A Continuous Bargaining Model of Stakeholder Pressure. *Journal of Business Ethics.* Vol 84, No 4, p543.
[665] *Ibid.*

it was found that the prevalence of social institutions in the host country of the lead firm of a commodity chain was a significant factor in determining value distribution along the chain. The finding that most of the companies that have signed global framework agreements have their headquarters in France, Germany and Scandinavia[666] is thus not surprising as there is a culture of engagement with trade unions. By comparison Stevis notes that as of 2010 only one global framework agreement has been signed that involves a US company[667].

As a voluntary agreement between a corporation and a global union federation there are limits to what a global framework agreement can achieve. For instance one of the global unions, UNI suggests the following in relation to wages and conditions:

> "*You want to set wages and conditions world-wide? No.* We cannot substitute for direct negotiations between companies and workers at the national level. However, in the era of globalisation, companies shift production and services to almost any part of the globe. The global agreement is a way for the company to say: wherever we go in the world, we will observe civilised internationally recognised standards; we will offer decent work and jobs. In short, "we will be decent global corporate citizens[668]."

As such while the global framework agreements may lead to the improvement of working conditions in terms of implementing the ILO's core labour standards, it is not expected to solve the problem of competition between workers on a global scale.

---

[666] Sobczak, A. (2007). Legal Dimensions of International Framework Agreements in the Field of Corporate Social Responsibility. *Relations Industrielles*, Vol. 62, Iss 3, p468. See also: Papadakis, Konstantinos. (2008). Research on transnational social dialogue and International Framework Agreements (IFAs). *International Labour Review.* Vol 147, Iss 1, p100.
[667] Stevis, Dimitris. (2010). International framework agreements and global social dialogue: Parameters and prospects. International Labour Office: Geneva, p4.
[668] UNI Global Union. (2010). *Global Agreements.*

Conclusion

Examination of both the ILO and the ITUC reveal that these institutions have largely failed in achieving the goals which they have set for themselves in the 1990s and the 2000s. The primary factor which has limited these institutions has proven to be that they are international in nature but are confronted by a global political economy. This leads to a situation where the interests of nations and nationally organized workers are being promoted at international forums. As such governments, employers and unions of other individual nation states are unwilling or unable to either subscribe to or fully implement the demands which these institutions present.

The second matter that was evident is that the international paradigm begins to break down when confronted with major instances of non-compliance. Both the ILO and the ITUC have demonstrated an inability to influence conditions concerning the single largest group of workers in the world in the Peoples Republic of China. Under article 33 of the ILO constitution it is possible to sanction member states for non-compliance with ILO labour standards. Similarly the ITUC as a whole and its individual affiliated unions are free to pursue any action against the Peoples Republic of China in support of their fellow workers. Despite this both the ILO and ITUC are reduced to writing periodical critical reports on China and doing little else.

In the context of economic globalization the inability of these institutions to have an effect on China undermines the integrity of the institutions themselves. Conditions in China exert a direct competitive pressure on the conditions of workers involved in industries located in other countries. Despite this even the most vocal critics of China, such as the US, find themselves unwilling or unable to take action against China due to the benefits gained from the bilateral relationship which they share. The ITUC finds itself in a similar position as its

members, limited by their national purview, are unwilling or unable to sponsor anything beyond reports.

It seems that however long the labour institutions of the 20th century hold firm to an international paradigm, the more they are undermined and the closer they move to irrelevance. If the ILO and ITUC are to be rescued in the 21st century, they will be required to adjust to economic globalization, to go beyond national borders and to work on a global scale.

The initial attempts to engage in such a project in the form of the UN Global Compact and the Global Framework Agreements seem disheartening. At best these constitute easily ignored droplets in the ocean, and at worst they are easily exploitable ways to 'bluewash' a company's image. Above all these agreements do nothing to impact on the distribution of value in the global political economy.

The prospects of engagement with the global political economy appear be dim from the side of the ILO as well with its most recent report concerning the social dimensions of globalization placing an emphasis on multilateralism, specifically an "effective United Nations[669]." Such thinking is replicated in other reports related to globalization where individual countries remain the focus of ILO analysis[670].

The ITUC has demonstrated some signs that they may be on the verge of the necessary paradigm shift. Regarding the 2008 financial crisis, a 2010 resolution of the ITUC on 'Changing Globalization' at its second congress in Vancouver noted that:

[669] International Labour Organization. (2004). *A Fair Globalization: Creating Opportunities for All*. International Labour Office: Geneva. px
[670] International Labour Organization. (2009). *World of Work Report.* International Labour Office: Geneva, p11.

> "The economic crisis has clearly highlighted the increasing mutual dependence of countries and people as a result of globalisation. It has also demonstrated the limitations and weaknesses of the current system of global governance. A new globalisation model must affirm the principles of global social and economic justice, human solidarity and the democratisation of global power relations[671]."

If the ITUC can overcome a nationally based membership structure and in particular the historical dominance of the global North, then it may have a frame of reference that approaches global capital on an equal footing.

There are initial signs the ITUC has begun to engage in a form of global politics as in 2003 the International Confederation of Free Trade Unions first participated in the World Social Forum, a global network of political actors committed to an alternative vision of globalization[672]. The ICFTU and following its merger with the WCL, the ITUC have continued to participate in the subsequent iterations of the World Social Forum. While this is a sign that the ITUC is prepared to engage in new forms of politics, it remains to be seen whether the ITUC will benefit from this engagement and subsequent analysis in the following chapter will assess the effectiveness of the World Social Forum in influencing global political arrangements.

[671] International Trade Union Confederation. (2010). *Resolution on Changing Globalization.* Available from: http://www.ituc-csi.org/IMG/pdf/2CO_01_Changing_Globalisation_03-10-2.pdf [Online] Last accessed: 31 October 2010.
[672] International Confederation of Free Trade Unions. (2003). *Democratizing Globalization: Trade Union Statement to the 2003 WEF and WSF.* Available from: http://www.icftu.org/displaydocument.asp?Index=991216994&Language=EN [Online] Last accessed: 31 October 2010.

Chapter 8 – The Emergence of Alternatives to 20th Century Institutions

The final section of this thesis considers some alternative institutions to those which have evolved out of the 20th century and were discussed in the previous chapter. As trade unions have come to confront new challenges, many have turned to alliances with NGOs and community groups or have sought to provide services beyond those traditionally associated with a trade union, a phenomenon known as social movement unionism. A brief review of the literature which developed the concept of social movement unionism will be undertaken followed by a case study of a social movement union in the global South in the form of the Self-Employed Women's Association. This will facilitate an analysis as to the potential of this organizing model for global labour, in particular in the global South. On a global scale the most prominent alternative to the 'traditional' institutions comes in the form of the World Social Forum. This section will also examine the origins of the World Social Forum providing a short history of its foundations. It then proceeds to critically analyse the forum, its foundations, organizing principles and achievements.

An early definition of social movement unionism is provided by Webster who may have created the term (although this is contested by Peter Waterman who also lays claim to it)[673] and suggests that that:

> "social movement unionism…differs from conventional trade unionism in that it is concerned with labour as a social and political force, not simply as a commodity to be bargained over. As a result, its concerns go beyond the

[673] Waterman, Peter. (2008). 'Social Movement Unionism' in Question: Contribution to a Symposium. *Employee Responsibilities and Rights Journal.* Vol 30, p303.

workplace to include the sphere of reproduction. Furthermore, it places a strong emphasis on democracy and workers control[674]."

The essence of social movement unionism is its appeal to workers that goes beyond the employment relationship to totality of their lives, as consumers, citizens, family members and women[675].

For Waterman the need to transcend the traditional role of the trade union is the requirement for union activity to be classed as social movement unionism[676]. A dissenting view comes in the form of Fairbrother who by taking a basic definition of a social movement, argues that unions have always been social movements and that what Waterman calls Social Movement Unionism is only the act of traditional trade unions attempting to find other levers of power in the face of new challenges and pressures.

Clawson argues that social movement unionism is nothing but the response to neoliberal globalization, suggesting that each phase of the history of capitalism has a corresponding response from trade unionism (business unionism in the post-war period, social movement unionism as a response to neoliberal globalization)[677]. Waterman by contrast contends that social movement unionism would be necessary in any future form of capitalism[678]. Irrespective of the debate about Social Movement Unionism's potential in future forms of capitalism which cannot be resolved until such forms are concrete, it is difficult not to agree with Waterman and Clawson as the common feature of their

[674] Webster, E. (1998). The Rise of Social Movement Unionism: The Two faces of black trade union movements in South Africa. In, Frankel, P, Pines, N, and Swilling, M (eds.). *State, Resistance and Change in South Africa*. London: Croom Helm, pp194-5.
[675] Webster, E. (2006). Author meets critics session: Reorganising the Rust Belt: An inside study of the American Labour Movement by Steve Lopez, in, Fairbrother, Peter. (2008). Social Movement Unionism or Trade Unions as Social Movements. *Employee Responsibilities and Rights Journal*. Vol 20 , p216.
[676] Waterman, Peter. (2008), pp305-6.
[677] Clawson, Dan. (2008). Neo-liberalism Guarantees Social Movement Unionism. *Employee Responsibilities and Rights Journal.* Vol 20, No 3. p208
[678] Waterman, Peter. (2008), p304.

argument is that some unions are organizing along different lines than ever before, going beyond the employer/employee relationship and organizing on a broader scale than the industrial level.

From the perspective of the global North Moody, a US labour academic, suggests that "social movement unionism implies an active strategic orientation that uses the strongest of society's oppressed and exploited, generally organized workers, to mobilize those who are less able to sustain self-mobilization: the poor, the unemployed, the casualized workers, the neighbourhood organizations[679]." On a micro level such an argument suggests that organized labour in the formal sector should provide impetus to social movements by capturing those movements. On a macro level this position is suggestive of the notion that the global North has the historical responsibility of providing assistance to the global South who would appear "less able to sustain self-mobilization[680]." Moody's position has been criticized briefly by Waterman who suggests that his notion of social movement unionism is nothing more than a "labor-community alliance, with the Fordist factory proletariat at the front[681]."

A similar perspective was provided by Webster and Lambert who while noting that social movement unionism occurs "when unions move beyond their traditional workplace boundaries to form alliances with other civil society movements within the nation state, whilst at the same time creating a new global union form[682]." Essentially, according to Webster and Lambert, this involves "linking internationally with similar unions[683]." This has largely been achieved according to Lambert and Webster by the formation of the union international Southern Initiative on Globalization and Trade Union Rights (SIGTUR).

---

[679] Moody, Kim. (1997). Towards an International Social Movement Unionism. *New Left Review.* Vol 225, p276.
[680] *Ibid.*
[681] Waterman, Peter. (2008), p303.
[682] Lambert, Rob and Webster, Eddie. (2001). Southern Unionism and the New Labour Internationalism. *Antipode.* Vol 33, Iss 3, p350.
[683] *Ibid.*

SIGTUR was founded by unions from South Africa (Congress of South African Trade Unions), India (Centre of Indian Trade Unions) and All India Trade Union Congress), South Korea (Korean Council of Trade Unions), Philippines (Kilusang Mayo Uno)[684]. It has since been joined by the All Pakistan Trade Union Federation, the Transport and General Workers Union of Sri Lanka, the Alliance of Democratic Unions (Thailand), Kasbi (Indonesia) and the Central Unica dos Trabalhadores (Brazil)[685]. Despite this formation and whatever promise it may hold, it appears that thus far the extent of SIGTUR's activities include the formation of its website, the development of "Unionbook" a social networking site for unionists, and a series of meetings. It is thus that Lambert and Webster conclude that "the construction of this alternative union form is yet to be realised in any enduring sense[686]."

The difference between Lambert and Webster's approach to social movement unionism and that of Waterman is that Lambert and Webster, like Moody, conceive of social movement unionism as more a labour community alliance, with organized labour in the formal sector taking the lead role and reaching out to the community. By contrast Waterman sees social movement unionism as an entirely different method of organizing, considering "all forms of work" and beginning as much from the community as from the workplace[687].

An example of a social movement union in the global South comes in the form of the Self Employed Women's Association (SEWA) in India. The following is a case study on SEWA which will provide a brief history of SEWA, will outline the various ways in which SEWA transcends the notion of a traditional trade union, and will demonstrate ways in which SEWA has endeavoured to build solidaristic

[684] *Ibid.,* p342.
[685] Southern Initiative on Globalisation and Trade Union Rights. (2010). *Participants.* Available from: http://www.sigtur.com/index.php?option=com_content&view=section&layout=blog&id=4&Itemid=27 [Online] Last accessed: 31 October 2010.
[686] Lambert, Rob and Webster, Eddie. (2001), p352.
[687] Waterman, Peter. (2008),pp305-6.

links on a global scale. SEWA as a movement that broke away from a traditional trade union and began with social movement unionism as its organising focus is a model which is able to resolve the debate between Waterman and Fairbrother as well as that between Waterman and Lambert/Webster/Moody in favour of Waterman and provides an example of how it is possible for the most vulnerable of workers in the global South to take the lead in developing a response to capitalism.

SEWA evolved out of the Textile Labour Association (TLA) which was founded by Mohandas Gandhi and Anasurya Sarabhai in 1920[688]. In 1955 the eventual founder of SEWA, Ela Bhatt, joined the TLA and in 1968 became head of the Women's wing of the TLA[689]. SEWA was initially formed in 1971[690] and in 1972 Bhatt was able to successfully register SEWA with the Labour Commissioner of Gujarat after a protracted struggle with the Gujarat state government over the status of workers outside of formal employment[691]. In 1982 SEWA was purged from the TLA as its increase in influence led to conflicts with the mainstream of the TLA[692]. Since then SEWA has grown as an organization to have 1.1 million members in 2008[693]. SEWA is an example of social movement unionism for a number of reasons including its organizing strategy, the services it provides members, and the work it does from a local to an international level.

In terms of organizing SEWA's approach is broad based and targets home based producers, petty vendors/hawkers and manual labourers[694]. As such it can be seen that rather than organizing workers in a particular industry or

---

[688] Self Employed Women's Association. (2009). *About Us.* Available from: http://www.sewa.org/About_Us_History.asp [Online] Last accessed: 31 October 2010. See also: .

[689] Datta, Rekha. (2003). From Development to Empowerment: The Self-Employed Women's Association in India. *International Journal of Politics, Culture and Society.* Vol 16, No 3, p354.

[690] Self Employed Women's Association. (2009).

[691] *Ibid.,*

[692] Self Employed Women's Association. (2006). *SEWA Joins the ICFTU.* Available from: http://www.sewa.org/July_2006.asp Online] Last accessed: 31 October 2010.

[693] Boseley, Sarah. (2008), p883.

[694] Datta, Rekha. (2003), p352.

corporation, SEWA organizes broadly across the informal sector in India which is disproportionately made up of women workers. As an institution SEWA provides a number of services for members including health insurance, banking and micro credit, literacy programs, legal aid, and child care. In providing these services SEWA transcends the pecuniary logic of traditional trade unionism which has focussed on wages and conditions within a formal workplace setting.

SEWA has also attempted to alter the political economy within which its members operate through a number of mechanisms. In urban areas SEWA has linked craft workers directly with markets thus avoiding middlemen[695]. In rural areas, where there exists a huge surplus of labour, it was found that traditional union struggles waged by agricultural labourers had led to capital flight[696]. SEWA responded to this through the formation of cooperatives which provide year round employment giving labourers the confidence to bargain for better wages and conditions knowing that their worst case scenario is a return to cooperative employment[697]. These situations provide examples where workers institutions have given workers greater power.

While maintaining a social movement focus SEWA has also demonstrated an ability to engage with the 'traditional' international institutions in the form of the ILO and the ITUC as well as other labour unions in India. SEWA campaigned for home based work to become a focus of the ILO which it achieved in 1991 when the ILO Committee of Experts made social protection of home workers part of the ILO agenda[698]. This led to the ILO Home Workers Convention in 1996 and an ILO resolution on the Informal Economy in 2002[699].

---

[695] *Ibid.,* p356.
[696] Self Employed Women's Association. (1997). *Annual Report*. Ahmedabad, India: SEWA, p13.
[697] Datta, Rekha. (2003),p356.
[698] *Ibid.,* p364
[699] Self Employed Women's Association. (2006).

As an affiliate of the TLA, SEWA was affiliated to the ICFTU and the International Textile, Garment and Leather Workers Federation (ITGLWF). In 1982 when SEWA was removed from the TLA it lost its international linkages as well. Since 1983 when Ela Bhatt addressed the International Confederation of Free Trade Unions appealing for a focus on workers in the informal sector, SEWA have attempted to engage with the international trade union movement[700]. In 1985 SEWA joined both the IUF and the ITGLWF after Bhatt was able to convince the general secretaries of these trade union secretariats of the merits of organizing in the informal sector[701].

In 2002 SEWA's membership grew beyond 500,000 members, leading it to apply for recognition by India's government as a national union federation. Despite objections from the formal sector union federations in India, SEWA secured this recognition and accordingly applied for membership in the ICFTU, which it achieved despite futher opposition from the other Indian union federations. Through the ITUC, SEWA has cosponsored resolutions with other South unions such as the Ghana Trade Union Congress and Confederación Revolucionaria de Obreros y Campesinos Mexico urging the ITUC to focus on the informal sector[702]. SEWA has also pursued solidarity work outside the ICTU by providing technical advice and support for the establishment of similar social movement unions in South Africa, Yemen and Turkey[703].

A number of conclusions can be drawn from SEWA's example. Firstly that social movement unionism is a viable strategy for the global South. The example of SEWA demonstrated how the possibility of overcoming a number of political economy constraints like a large supply of surplus labour,

---

[700] Rose, Kalima. (1992). *Where Women are Leaders: The SEWA Movement in India*. New Delhi: Vistaar Publications, p95.
[701] Self Employed Women's Association. (2006).
[702] Self Employed Women's Association. (2010). SEWA Elected Vice President of International Trade Union Congress leads the movement for inclusion of informal workers. Available from: http://www.sewa.org/Thirteenth_Issue.asp [Online] Last accessed: 31 October 2010.
[703] Self Employed Women's Association. (1999). *Annual Report*. Ahmedabad, India: SEWA. pp20-21.

institutionalized middlemen reducing the labour value share and institutionalized gender discrimination. By building alternative workers institutions SEWA was able to empower workers both through SEWA run cooperatives and by emboldening their struggles over wages at their workplaces. The SEWA model also provided a number of non-waged benefits.

While the recent period of increased globalization is typically associated with unions in decline, SEWA have achieved significant growth particularly in the first decade of the 21st century. Whether SEWA is able to maintain this progress, and indeed the development of its parallel organizations in South Africa, Yemen and Turkey develop along similar lines will be a matter of great interest. In addition to this whether the SEWA cooperative model could assist workers involved in global commodity chains will determine the relevance of the SEWA model for workers in industries involved global trade such as the garment industry. The resilience of the SEWA model may lie in the possibilities of providing workers a framework enabling them to transition out of exploitative industries through workers cooperatives as much as it is able to provide workers better conditions within the industry itself.

While SEWA and its model has expanded to only a handful of countries as noted above and SIGTUR has thus far not demonstrated any concrete action in terms of global social movement unionism, the issue remains what global alternatives are being pursued to the ILO/ITUC. The most obvious answer to this comes in the form of the World Social Forum which the following section will examine.

Globalizing the social movements? Labour and the World Social Forum

The first World Social Forum (WSF) was held in Porto Allegre as a response to the World Economic Forum. According to one of the founders of the WSF, Fransisco "Chico" Whitaker, the development of the WSF can be seen in the context of the emerging protests against the World Trade Organization, the IMF and the World Bank in 1998 and 1999[704]. Following this Whitaker suggests that fellow Brazilian, Oded Grajew, suggested the idea of a social forum similar to the World Economic Forum which had taken place in Davos for roughly 20 years[705]. This led to consultation with the director of the newspaper *Le Monde Diplomatique* and president of the Association for the Taxation of financial Transactions for the Aid of Citizens (ATTAC), Bernard Cassen. Cassen provided encouragement and promised promotion through his newspaper[706]. After consultations between Whitaker, Grajew and other interested organizations in Brazil, it was decided that the first WSF would be held in Porto Allegre, Brazil in 2001.

As a proposal the WSF can be considered Franco-Brazilian in origin (mostly Brazilian) with the initial network of organizations consisting of the Brazilian Association of Non-Governmental Organizations [Brazil]; ATTAC [France]; Brazilian Justice & Peace Commission [Brazil]; Brazilian Business Association for Citizenship [Brazil]; Central Trade Union Federation [Brazil]; Brazilian Institute for Social and Economic Studies [Brazil]; Centre for Global Justice [Brazil] and Landless Rural Workers Movement [Brazil][707]. These organizations sent a delegation to Geneva where a major anti-globalization demonstration was taking place against the United Nations' Copenhagen Summit, and set up the first "International Committee" to organize the forum.

---

[704] Whitaker, Fransisco. (2004). *World Social Forum: origins and aims.* Available from: http://www.forumsocialmundial.org.br/main.php?id_menu=2_1&cd_language=2 [Online] Last accessed: 31 October 2010.
[705] *Ibid.,*
[706] *Ibid.,*
[707] *Ibid.,*

Since 2001 the WSF has run in successive years in a variety of locations including Brazil, India, Mali, Venezuela, Pakistan and Kenya. The organizations with delegates on the International Council have expanded to include various trade union confederations, non-government organizations, peasant organizations from around the world with many more organizations taking part in the forum each year.

From the perspective of the trade union internationals, it appears that participation in the WSF has been largely instrumental in nature, particularly in relation to the promotion of the Decent Work agenda discussed in Chapter 7. Evidence of this is in the formation of the Decent Work Alliance, a subgroup within the WSF. According to the ITUC:

> "the Decent Work Alliance, led by the ITUC, the ETUC, Solidar, the Global Progressive Forum and Social Alert, will also be organizing events during the WSF on the following themes: a new financial architecture to ensure decent work; a global welfare state; and the decent work, decent life campaign[708]."

Such participation has led commentators such as Peter Waterman to conclude that "…the newly-merged International Trade Union Confederation (ITUC) is coming in forcefully, under the banner of 'Decent Work'[709]." Other national trade union confederations have forged links with the forum in terms of seeing common aims and goals. An example of this is the Australian Council of Trade Union's 2003 congress which resolved to participate in new organizing

[708] International Trade Union Federation. (2009). *World Social Forum: Trade Unions Call for a New Growth Model.* Available from: http://www.ituc-csi.org/world-social-forum-trade-unions.html [Online] Last accessed: 31 October 2010.
[709] Waterman, Peter. (2007). *Trade Unions, Labour and the World Social Forum.* Available from: http://www.choike.org/nuevo_eng/informes/5279.html [Online] Last accessed: 31 October 2010.

frameworks including the WSF as part of its campaign against financial deregulation[710].

While the WSF may be an impressive event from an organizational and logistical perspective, the ability of the WSF to represent labour on a global scale is a separate question. Its effectiveness in terms of how its participating organizations are achieving its stated aims of opposing "neoliberalism and…domination of the world by capital and any form of imperialism[711]" as well as "building a planetary society directed towards fruitful relationships among Humankind and between it and the Earth[712]" can be assessed in terms of concrete actions and concrete results.

A number of positions have been taken up in response to the phenomena of the WSF from commentators both inside and outside the forum. Those who can be described as optimists regarding the WSF are those who see the WSF as having a positive and ongoing influence in the world. Primarily these are people who designate 'civil society', a collective term which encapsulates a diverse range of groups but primarily social movements and NGOs, as a political actor on a national scale that through the horizontal networked activity embodied by the WSF can become a global political actor. Chico Whitaker one of the founding organizers of the WSF makes the comment that: "I would say that we have seen a new political actor uprising: the "civil society"- as citizens organized in social movements and other types of bodies – which was needing a space to express itself[713]."

---

[710] Australian Council of Trade Unions. (2003). *International Policy ACTU Congress 2003.* Available from: http://www.actu.org.au/Images/Dynamic/attachments/146/ACTUCongress2003_International_Policy.pdf [Online] Last accessed: 31 October 2010.

[711] World Social Forum. (2002). *World Social Forum: Charter of Principles.* Available from: http://www.forumsocialmundial.org.br/main.php?id_menu=4&cd_language=2 [Online] Last accessed: 31 October 2010.

[712] *Ibid.*

[713] Whitaker, Chico. (2008). *Evaluating from the Inside, With Optimism.* Available from: http://openspaceforum.net/twiki/tiki-read_article.php?articleId=545 [Online] Last accessed: 31 October 2010.

Whitaker argues that "horizontal networks, without leaderships and pyramids of responsibilities" overcome "the limitations of the representative democracy, with its "delegations" of power and internal struggles for power, typical of parties and governments logics[714]." As such the WSF is an alternative to liberal democracy but also the state system in general as well parties and ideologies which aim to capture state power. Whitaker does not however set out exactly where the members of the WSF will practice their politics, and rather assumes that the networking process will simply enable some kind of global political praxis.

From its outset those involved with the WSF have attempted to emphasize what the forum is not. According to those responsible, the WSF is not a group or movement, does not issue directives or issue specific invitations for participation, and does not even release statements about any particular issue[715]. Instead the WSF claims to act as an 'open space' for discussion and networking for organizations opposed to neoliberal globalization, capitalism and imperialism.

Despite this characterization many observers see the WSF as having characteristics of a social movement and not just being an 'open space'[716]. Marcuse as well as Patomaeki and Teivainen note that despite the attempt of organizers to make the movement purely an 'open space', other considerations, both ideological and practical mean that this is not possible. From an ideological perspective, some would-be participants are excluded from the

[714] *Ibid.*
[715] World Social Forum. (2002). *What the World Social Forum Is.* Available from: http://www.forumsocialmundial.org.br/main.php?id_menu=19&cd_language=2 [Online] Last accessed: 31 October 2010.
[716] Patomaeki, Heikki and Teivainen, Teivo. (2004). The World Social Forum: An Open Space or a Movement of Movements? *Theory Culture Society.* Vol 21, Iss,6,pp145-54. See also: Marcuse, Peter. (2005). Are Social Forums the Future of Social Movements? *International Journal of Urban and Regional Research.* Vol 29, Iss, 2, pp417-24. See also: Diaz, Liliana. (2006). Resources for Creating Another World: Financial Strategies for the World Social Forum. *Development.* Vol 49, Iss 2, pp93-101. See also: Ghimre, Kleber. (2006). Introduction: Financial Independence among NGOs and Social Movements. *Development.* Vol 49 Iss 2 pp4-10.

WSF, such as the Revolutionary Armed Forces of Colombia, FARC, and various Communist parties in India, as they are either political parties, or military organizations or both and thus do not meet the criteria set out in the WSF general principles[717].

From a practical perspective Marcuse notes that the organization of the WSF is dependent on the international council and various steering committees[718]. Patomaekki and Teivainen comment that despite the portrayal of the WSF as an open space:

> "real decisions are being made at the WSF all the time, such as the decision to take the forum to Mumbai. However, there are some 120 insiders in the International Council, 1000 to 2000 semi-insiders who follow, and take part in, discussions but do not participate in decision-making. Then there are those hundreds of thousands who participate in various social forums but merely abide by decisions made by the few. This is why there is a widespread perception that the WSF is a top-down organization, despite all talk to the contrary. It has even been stated that taking part in the WSF International Council was 'a bit like being in the Politburo and not knowing who Stalin is[719]."

Ghimre notes that the WSF like any other social movement is still bound by the same financial norms as any organization. Given the diverse range of activities the WSF tries to coordinate it is subject to an organizational structure, to costs, and to debts[720]. From an organizational perspective "the WSF varies considerably in its appreciation of the current economic system and transformations required, when it comes to raising funds it manifestly

[717] Marcuse, Peter. (2005). Are Social Forums the Future of Social Movements? *International Journal of Urban and Regional Research.* Vol 29, Iss2, pp417-24. See also: Patomaeki, Heikki and Teivainen, Teivo. (2004), pp145-54.
[718] Marcuse, Peter. (2005),p418.
[719] Patomaeki, Heikki and Teivainen, Teivo. (2004), p150.
[720] Ghimre, Kleber. (2006), pp4-10.

demonstrates no major contrast with that of NGOs[721]." As such for all the rhetoric about the WSF being an open space, it appears that it is not as recognized even by some advocates of open space within the WSF[722].

In some respects the writings of some analysts and participators in the WSF process demonstrate their intellectual connection to philosophical postmodernism and political anarchism. Peter Waterman in writing about the era in which the WSF exists suggests that: "We are, however, moving from the 19th to 20th century era of primarily institutional power to the 21st century of an increasingly communicational and cultural one[723]." In addition to this is Waterman's characterization of the "old" including national/industrial/colonial capitalism, the nation state, interstate institutions, modern political parties, trade unions, Marxism and the relevance of class, socialism and armed insurrection, parliaments and internationalism[724].

Against this Waterman contrasts the new globalized, networked, informatized, financial services capitalism, the "global justice and solidarity movement' (which he defines as the Zapatistas, the WSF and political actors such as himself who believe in horizontal networked resistance to the aforementioned version of capitalism) and a "new anarchist/autonomist/libertarian tendency[725]." Grubacic even suggests that "A new model of modern anarchism, which can be discerned today within the new social movement, is the one that insists on widening the anti-authoritarian focus, as well as on abandoning class reductionism[726]."

---

[721] *Ibid.,*
[722] Sen, Jai. (2009). *How Open? The Challenge of Dogma, The Forum as Logo, The Forum as Religion: Scepticism of the Intellect, Optimism of the Will.* Available from: http://www.choike.org/2009/eng/informes/1192.html [Online] Last accessed: 31 October 2010.
[723] Waterman, Peter. (2005). Dialectics Around the Social Forum Process. *Development.* Vol 48, Iss 2, p43.
[724] *Ibid.,* p45.
[725] *Ibid.*
[726] Grubacic, Andrej. (2003). Towards Another Anarchism. In, Sen, Jai, Anand, Anita, Escobar, Arturo and Waterman, Peter. (2004). *The World Social Forum: Challenging Empires.* New Delhi: Viveka Foundation, p38.

Chico Whitaker, the philosophical father of the WSF, continues to stress that open space is purely what the WSF should be about and in doing so engages from a libertarian perspective with those who would seek to turn the forum into a movement. His statement in favour of the WSF as open space suggests: "a space has *no leaders*. It is only a place, basically a *horizontal space*, just like the earth's surface, even if it has some ups and downs. It is like a *square without an owner.* If the square has an owner other than the collectivity, it fails to be a square, and becomes private territory[727]." This is reminiscent of the anarchist philosopher; Proudhon who suggested that "property is theft[728]."

The flipside of this current is the participation by many organizations that are not necessarily opposed to neoliberalism, imperialism or capitalism and yet are prominent participators in the WSF such as Brazilian corporation Petrobras, the Ford Foundation and UNESCO (donor organizations for the WSF). Due to the "open space" nature of the WSF there is little that can be done to exclude any organizations from participating. As noted before however, the WSF does actively exclude certain other organizations, such as FARC and some of the Indian Communist Parties for their military connections, meaning the forum's commitment to the philosophy of open space is both complicated and inconsistent, and seemingly able to be compromised by the ability of organizations to donate.

In terms of the potential of the WSF to improve the standing of global labour in its current format, an evaluation must be made of the WSF in general but also of the praxis advocated by the proponents of the WSF, horizontally networked politics. Marcuse commenting on the ability of the WSF to achieve changes notes that:

---

[727] Whitaker, Chico. The WSF as Open Space, in Sen, Jai, Anand, Anita, Escobar, Arturo and Waterman, Peter (Eds.). *The World Social Forum: Challenging Empires.* New Delhi: Viveka Foundation. p113.
[728] Proudhon, Pierre Joseph. (1840). *What is Property?* Available from: http://www.marxists.org/reference/subject/economics/proudhon/property/index.htm [Online] Last accessed: 31 October 2010.

> "When all is said and done, basic social change requires a shift in power, on at least a national if not international level. That can only be achieved by government. Changes in government can be accomplished by a variety of means, of which the electoral is only one; but in the end the power of government needs to be moved from its present holders to the dispossessed. Yet the social forums are almost intuitively anti-governmental, focused on direct grass-roots efforts, protest movements rather than movements seeking power[729]."

Such an assessment questions the ability of the WSF to ever move beyond its statement that another world is possible. Particularly with respect to movements in the global South there are some notable criticisms that can be made of the WSF horizontal model.

Notwithstanding the 2008 "Global Day of Action" the WSF has taken the form of a meeting held over several days. This raises the issue of costs involved in participation in the forum. Any organization wanting to participate in the forum must send its delegates (transport and accommodation costs) as well as pay a registration fee to participate in the forum. These substantial financial hurdles place South organizations at a clear disadvantage in terms of even getting to the forum, let alone getting their message across. The registration fee alone has discouraged participants at previous forums, such as in Kenya 2007 which saw an alternative social forum created in response to the inability of many Kenyans to meet the registration fee[730].

[729] Marcuse, Peter. (2005), p420.
[730] People's Parliament. (2007). *Report on the People's Parliament Alternative Social Forum.* Available from: http://www.peoples-parliament.org/spip.php?article5 [Online] Last accessed: 31 October 2010.

The requirement of international travel also places a hurdle in front of potentially participating organizations. A participant and observer of the 2005 WSF, Lerner, observed that:

> "...it (the 2005 WSF) encouraged plenty of actions, but most of the actions were strictly Brazilian or Latin American. The vast majority of the participants were from Brazil. Asians, Africans, and low-income people from the North, however, were underrepresented. Perhaps this is not surprising, since the costs of participation, including plane tickets, were cheapest for Brazilians and most expensive for those who participated the least[731]."

Involvement with international travel raises security issues for participants whose organizations have less friendly relations with their national governments. This creates a situation where would be participants either involve themselves in considerable risk, elect not to attend the forum, or are prevented from doing so by national governments as was the case in the 2005 Mediterranean Social Forum where the Spanish government prevented many would be participants from Morocco, Algeria and Tunisia due to EU border security requirements[732]. As such the concept of open space is brought into question by global realities.

One of the responses to this problem and an attempt to focus on local issues is the devolution of the WSF into local versions. Examples of this are the Asian Social Forum (regional) or the Brisbane Social Forum (metropolitan). While it can be argued that this may be a useful exercise in terms of networking political

[731] Lerner, Josh. (2006). *Why the World Social Forum Needs to Be.* Available from: http://www.globalpolicy.org/component/content/article/168/30704.html [Online] Last accessed: 31 October 2010.
[732] International Viewpoint. (2010). *Mediterranean Social Forum.* Available from: http://www.internationalviewpoint.org/spip.php?article829 [Online] Last accessed: 31 October 2010.

actors on the levels described, it is not a solution to the problems of distance and seems to detract from the WSF being a global event.

Another attempt to address the distance issue was the 'polycentric' WSF of 2006. This saw the WSF staged in three separate locations across the global South including Karachi, Pakistan, Bamako, Mali and Caracas, Venezuela. This led to three separate and unrelated regional fora and thus failed to solve this problem. The 2009 WSF in Belem included participation via telephone and internet[733] however this still does not create equal access to the WSF.

Thirdly and in relation to the previous criticism, the fact of the forum being such a public event raises security problems due to the public nature of participation. This opens up two scenarios the first of which is the risk involved in public participation in the forum. Alternatively, a participant's ability to be a part of the WSF can depend on a friendly state power as evidenced by the 2008 shutdown of the Southern African Social Forum by the government of Swaziland[734]. In addition to this it becomes almost impossible for banned organizations to participate in 'open space'.

Apart from ATTAC, a French organization, the WSF is the brainchild of the Brazilian left. That the forum is still heavily influenced by the Brazilian 'nodes' in its network is evidenced both in terms of geography and participation. Geographically the majority of WSF's have been held in Brazil with four being held in Porto Allegre and the 2009 WSF in Belem. Additionally Brazilian organizations are overrepresented in the International Council and the meetings inside the forum itself.

---

[733] World Social Forum. (2009). *News.* Available from: http://www.forumsocialmundial.org.br/noticias_01.php?cd_news=2518&cd_language=2 [Online] Last accessed: 31 October 2010.

[734] Mtwethwa, Thulani. (2008). *Swazi Monarchy Bans Civil Rights Meeting.* Available from: http://www.openspaceforum.net/twiki/tiki-read_article.php?articleId=678 [Online] Last accessed: 31 October 2010.

It is notable that very little has been written about the concrete achievements of the WSF with regard to the way this global activity has helped any of its participants to work more effectively in global politics. Instead there are assertions that the provision of an open space for interaction amongst various social movements will facilitate some future good[735]. There are two examples where attempts were made to translate the activism of the WSF into action which provide a case study for the failure of the WSF to achieve concrete results, the Manifesto of Porto Allegre and the Bamako Appeal.

The Manifesto of Porto Allegre was a proposal drafted and released to the 2005 WSF by 19 activist intellectuals, many of whom were members of the International Council of the WSF[736]. It was an attempt to summarize the aspirations of the WSF into one document and included:

> "debt cancellation, adoption of the Tobin tax on financial money transfers, dismantling of tax havens, the promotion of equitable forms of trade, a guarantee on the sovereignty of a country's right to not only be able to produce affordable food for its citizens, but also to police its food supply; the implementation of anti-discrimination polices against minorities and females, and democratization of international organizations which would also include moving the United Nations (to a South country)[737]."

Immediately following the proposal, Forum notables Chico Whitaker and Candido Grzybowski deflected attention from the proposal defending the forum as an open space. It was reported that Whitaker said the proposal should

---

[735] Whitaker, Chico;, p113. See also: Waterman, Peter and Jill Timms. (2004). Trade Union Internationalism and A Global Civil Society in the Making, in: Mary Kaldor, Helmut Anheier and Marlies Glasius (eds.) *Global Civil Society* (2004), pp178-202, London: Sage.
[736] The so-called group of 19 included: Aminata Traoré, Adolfo Pérez Esquivel, Eduardo Galeano, José Saramago, François Houtart, Boaventura de Sousa Santos, Armand Mattelart, Roberto Savio, Riccardo Petrella, Ignacio Ramonet, Bernard Cassen, Samir Amin, Atilio Boron, Samuel Ruiz Garcia, Tariq Ali, Frei Betto, Emir Sader, Walden Bello and Immanuel Wallerstein.
[737] Anthony, Debra and Silva, Jose Antonio. 30/01/2005. *Group of 19: The Consensus of Porto Allegre?* Available from: http://www.ipsterraviva.net/TV/WSF2005/viewstory.asp?idnews=153 [Online] Last accessed: 31 October 2010.

merely be attached to a 'proposal wall' in the forum which was "gathering dozens of proposals, priority lists and actions, some vague and some very profound[738]." This encapsulates the two main currents present in the WSF, those who wish to preserve the forum as an open space, and those who wish to convert the forum into a political force with a common program.

In 2006 a more comprehensive initiative was launched prior to the polycentric WSF's. Drafted on the 50th anniversary of the Bandung conference, the Bamako appeal stood as a manifesto for global action against neoliberalism and capitalism. The appeal was presented to the WSF's in Bamako and Caracas and had a wide range of signatories from various countries and various organizations both inside and outside the WSF.

The Bamako appeal, despite receiving approval from a number of participants in the WSF, is the antithesis to open space. A manifesto, it attempts to be a common political program to be signed up to and to be advanced. As such it contrasts with the views of many of the participants of the WSF who either see the WSF as an open space that should not include manifestos, or who come to the WSF in order to promote a single issue and may not agree with the goals of other participants.

The appeal begins by proposing a number of central principles which provide a foundation for action, namely:

1. Construct a world founded on the solidarity of human beings and peoples
2. Construct a world founded on the full affirmation of citizenship and equality of the sexes

[738] Anthony, Debra and Silva, Jose Antonio. 2005. *World Social Forum: In A First, Delegates Hammer Out A 'Consensus'* Terra Viva, p1.

3. Construct a universal civilization offering in all areas the full potential of creative development to all its diverse members
4. Construct socialization through democracy
5. Construct a world founded on the recognition of the non-market-driven law of nature and of the resources of the planet and of its agricultural soil
6. Construct a world founded on the recognition of the non-market-driven status of cultural products and scientific acquisitions, of education and of health care
7. Promote policies that closely associate democracy without pre-assigned limits, with social progress and the affirmation of autonomy of nations and peoples
8. Affirm the solidarity of the people of the North and the South in the construction of an internationalism on an anti-imperialist basis[739]

In the one document a number of objectives are proposed including: solidarity with Palestine, the "creation of a worldwide anti-imperialist network" for the purpose of mobilization, a reformation of the World Trade Organization and the United Nations, the abolition of Third World Debt, the creation of regions to enable the global South to have greater power in the international relations arena, sustainable democratic control over the Earth's resources, food sovereignty, eradication of all forms of oppression and exploitation of women, the promotion of linguistic rights, the building of a united front of workers in the form of global unions and the opening of the unions to informal and unemployed labourers, and the explicit promotion of a socialist society[740].

In response to the Bamako appeal a counter-current of criticism emerged within the WSF. There are two main themes related to the criticism of the Bamako

[739] Third World Forum. (2010). *Bamako Appeal.* Available from: http://www.forumtiersmonde.net/fren/index.php?option=com_content&view=article&id=89:bamako-appeal-2006&catid=47:wsf-bamako--fsm-bamako&Itemid=104[Online] Last accessed: 31 October 2010.
[740] *Ibid.,*

Appeal. Firstly there was a repetition of the criticism of the Porto Allegre Manifesto that the Bamako Appeal attempts to coordinate and centralize the actions of the WSF and thus violates the principle of 'open space'. This criticism was offered even before the Bamako Appeal was drafted in the sense that criticism had already been initiated by Antonio Martins, Chico Whitaker and Sergio Haddad all of whom are members of the Forum's International Council and proponents of the open space model[741]. Secondly the related criticism was that the Bamako Appeal was elitist and anti-democratic in its conception and program[742]. Finally there was criticism about the language of the appeal[743], and the goals contained within[744].

In the debate regarding the Bamako Appeal a fault line is exemplified between the 'postmodern' left and the 'classical' left. The postmodern left ranges from the belief in open space as an end in itself as exemplified by Chico Whitaker, to the horizontalist networking unionism of Peter Waterman. Such critics see capitalism differently to those from the classical left as will be discussed below. This political trend is categorized by its adherent's view of capitalism, of political methods, of political actors as well as its view of the history of 20th century socialism in all its forms.

The postmodern left considers capitalism to have entered a qualitatively new phase. An example of such a view is that of Waterman who contrasts the current: "globalized/networked/informatized/financial and services" capitalism to

---

[741] Martins, Antonio, Whitaker, Chico, Haddad, Sergio. (2006). *Letter from members of the WSF Brazil Organising Committee/International Secretariat to the organizers of the Bamako Manifesto.* Available from: http://www.choike.org/documentos/jaiwsf2007/09_reactions.pdf [Online] Last accessed: 31 October 2010.

[742] See Waterman, Peter. (2006). *The Bamako Appeal: A Post-modern Janus?* Available from: http://www.choike.org/documentos/jaiwsf2007/09_reactions.pdf [Online] Last accessed: 31 October 2010.

[743] *Ibid.,*

[744] Abramsky, Kolya. (2006). *The Bamako Appeal and the Zapatista 6th Declaration: Between Creating New Worlds and Reorganizing the Existing One.* See also: Barchiesi, Franco, Bohmke, Heinrich, Naidoo, Prishani and Veriava, Ahmed. (2006). *Does Bamako Appeal? The World Social Forum versus the Life Strategies of the Subaltern.*

the previous "national/industrial/colonial" capitalism[745]. Such a view of capitalism can be contrasted to that of Samir Amin, another international council member of the WSF and leading proponent of the Bamako Appeal.

Amin sees the financialization of capitalism as nothing but the outcome of centralization of ownership in the 'real economy'. He suggests that the issue in capitalism remains this real economy and the contradictions within it, and suggests that "we ought to move away from superficial description of global capitalism, which is to identify capitalism with neo-liberalism[746]." Amin even goes so far as to suggest that finance is only the "tip of the iceberg" in terms of the contradictions within capitalism with the "crisis of accumulation of capital in the real productive economy" being the dominant contradiction[747]. By contrast Waterman holds the view that finance and services are the critical features of capitalism.

Waterman's narrative also revolves around the opposition between what he sees as 'old' political forces "the nation, the state, political parties, Marxism, trade unions, socialism, internationalism and armed insurrection" as against the new "globalized/networked/informatized/financial and services capitalism", the global justice and solidarity movement which contains an anarchist/libertarian element, the WSF and the social movement as a cross class phenomena[748]. This narrative fails to stand up to empirical scrutiny particularly when considering the so called "old" left with Lenin discussing finance capital as early as 1915 and with anarchism/libertarianism itself being several hundred years old. Despite this the drive to be seen as representing something new is central to the narrative of the postmodern left.

---

[745] Waterman, Peter. (2005), pp42-47.
[746] Amin, Samir. (2008). *There is No Alternative but Socialism.* Available from: http://www.pragoti.org/node/2566 [Online] Last accessed: 31 October 2010.
[747] Kothari, Smitu. (2008). *Interview with Egyptian Economist Samir Amin.* Available from: http://www.e-joussour.net/en/node/1771 [Online] Last accessed: 31 October 2010.
[748] Waterman, Peter. (2005), p45.

The views of the classical left can be seen in the text of the Bamako Appeal. Critical to this is their understanding of global capitalism. Whereas Waterman speaks of financialised and services based capitalism, the Bamako Appeal talks about "the dictatorship of financial markets[749]" a clear indication that according to the proponents of the Bamako appeal, financial markets are a mere superstructure above the 'real' capitalist economy, centred around production.

The classical left's focus on production becomes even clearer in the subsequent sections of the Bamako Appeal. Of the ten long-term objectives proposed in the Bamako Appeal, two explicitly address the conditions of workers and peasants. A further four cover broader political economy issues such as global institutions, global negotiations and the management of the world's resources. In the entire section of propositions for the long-term, only one paragraph addresses global finance which is mentioned only in the context of suppressing tax havens, having regional stock exchanges, and revolutionizing the World Bank and IMF[750].

As noted above the postmodern left also places great emphasis on "informatized" capitalism and the idea that there is movement from institutional to cultural and communicational power[751]. By contrast the Bamako appeal contains only three paragraphs in relation to communications, all of which are only concerned with the international media seen as being dominated by the global North and the need to build alternative media[752].

In terms of political methods again there is divergence between the postmodern left and the classical left. The postmodern left is the champion of the concept of open space. Chico Whitaker is perhaps the most vocal proponent of the

[749] Third World Forum. (2010).
[750] Ibid.
[751] Waterman, Peter. (2005), pp42-47. See also: Katz, Wally. (2000). Don't Mourn, Globalize!, *New Labor Forum*, Vol 6 (7), p16.
[752] Third World Forum. (2010).

concept of open space as a means of achieving political goals in his suggestion that:

> "if we do transform the Forum into a movement, we will be — without any help at all from those we are fighting against — throwing away a powerful instrument of struggle that we have been able to create by drawing on the most important recent political discovery, of the power of open, free, horizontal structures[753]."

This position which emphasizes dialogue and consensus is somewhat consistent with the anarchist position as announced by Grubacic that:

> "We reject all forms of vanguardism and believe that the proper role of the anarchist intellectual (a role that should be open to everyone) is to take part in an ongoing dialogue: to learn from the experience of popular community-building and struggle and offer back the fruits of reflection on that experience not in the spirit of the dictate, but of the gift[754]."

Such a position is echoed in Waterman who constantly stresses that the new politics are both horizontal and consensus driven.

In contrast to the postmodern left are various positions described as 'old left' or even the 'archaic left' by participants in the forum. Singled out by Waterman on various occasions are "the 'Marxist-Leninist' (Maoist) tendency" that sees the WSF process and the movements within as a "suitable object for penetration and/or competition[755]." Whatever else one thinks about Waterman's politics or analysis, he appears to be correct regarding the strategy of entryism with the

[753] Whitaker, Chico. (2004). *The WSF as Open Space.* In, Sen, Jai, Anand, Anita, Escobar, Arturo and Waterman, Peter. (2004). *The World Social Forum: Challenging Empires,* p2.
[754] Grubacic, Andrej. *Towards Another Anarchism.* In, Sen, Jai, Anand, Anita, Escobar, Arturo and Waterman, Peter. (2004). *The World Social Forum: Challenging Empires,* p40.
[755] Waterman, Peter. (2003). *Archaic Left Challenges the World Social Forum.* Available from: http://www.opendemocracy.net/content/articles/PDF/1576.pdf [Online] Last accessed: 31 October 2010.

Committee of the Revolutionary Internationalist Movement, a loosely formed body concerned with the strategy of international Maoist parties being in favour of the strategy of entryism[756].

A political current that has achieved a great deal of success in the early 21st century, the international Maoist movement deserves some attention. A number of important events have occurred with regard to this political tendency. In Nepal the rise of the Communist Party of Nepal (Maoist) after a decade long civil war has greatly changed the Himalayan nation leading to the abolition of the monarchy and a protracted struggle between the various remaining political parties over the country's future. In addition to this, the Communist Party of India (Maoist) has been described by Indian Prime Minister Manmohan Singh as the single biggest threat to internal security[757]. Maoist movements also boast a presence in the Philippines[758], Bhutan[759], Bangladesh[760], Peru[761] and Turkey[762] with the Revolutionary Internationalist Movement assisting the launching of peoples wars in other countries. As a model of organizing, RIM and Maoism appears to be antithetical to the idea of open space.

Outside of Marxism-Leninism-Maoism, the advocates of the Bamako Appeal weigh in on political process in suggesting:

---

[756] A World To Win. (2003). Committee of the Revolutionary Internationalist Movement on Communist Tactics and the Anti-Globalisation Movement. *A World To Win.*
[757] Thaindian News. (2007). December 20th. Available from: http://www.thaindian.com/newsportal/india-news/naxal-extremism-is-single-big-internal-security-challenge-manmohan_1009559.html [Online] Last accessed: 31 October 2010.
[758] England, Vaudine. (2008). *Philippine Communists Mark 40th.* Available from: http://news.bbc.co.uk/2/hi/asia-pacific/7800033.stm [Online] Last accessed: 31 October 2010.
[759] The Times of India. (2009). *Bhutan on alert after Maoists attack.* Available from: http://timesofindia.indiatimes.com/South_Asia/Bhutan_on_alert_after_Maoists_attack/articleshow/3921598.cms [Online] Last accessed: 31 October 2010.
[760] Reddy, K Srinivas. (2009). *Maoists to improve coordination.* Available from: http://www.hindu.com/2006/09/29/stories/2006092902641400.htm [Online] Last accessed: 31 October 2010.
[761] Drug War Chronicle. (2009). Latin America: Peru's Shining Path Making a Comeback? *Drug War Chronicle.* Iss 566. Available from: http://stopthedrugwar.org/chronicle/566/Peru_coca_cocaine_shining_path [Online] Last accessed: 31 October 2010.
[762] Hassanpour, Amir. (2009). Ferment and Fetters in the Study of Kurdish Nationalism – Part IV. *The Kurdish Globe.*

> "Without the transformation of people into protagonists of their history, the problems of the people -- health, food, education, housing…. -- cannot be solved. The lack of political participation contributed to the fall of the socialist countries of Eastern Europe. The citizens of these countries were hardly motivated to defend regimes where they were observers and not actors[763]."

This is a demonstration both of their support of the socialist project, but also of the need for greater democracy within future socialist projects.

The Bamako Appeal failed to achieve universal acceptance within the WSF and exposed the fault line between the classical and post-modern left. Within the WSF this can be seen as a victory for the principles of the open space and horizontal network politics. Stepping back from the internal dynamics of the WSF, a different picture can be seen. Since 2006 the WSF has entered a crisis phase. In 2007 the WSF in Nairobi attracted a mere 50,000 participants, its lowest ever turnout. In 2008 there wasn't even a WSF with the International Council retreating to a "global day of action" before retreating in 2009 to Brazil in the hope of a revival of legitimacy and support. In 2009 attendance at the WSF was estimated at 100,000, with the 2010 being held "all year round" in addition to a smaller event in Belem, but no specific WSF meeting as such. On the basis of this evidence, the WSF appears an institution in decline since 2007.

In opposition to the WSF stand various opinions from actors who have been both inside and outside the WSF process. Walden Bello for instance asked "is it time for the WSF to fold up its tent and give way to new modes of global

[763] Third World Forum. (2010). *Bamako Appeal.* Available from: http://www.forumtiersmonde.net/fren/index.php?option=com_content&view=article&id=89:bamako-appeal-2006&catid=47:wsf-bamako--fsm-bamako&Itemid=104 [Online] Last accessed: 31 October 2010.

organization of resistance and transformation[764]?" This is the most polite critical assessment of the achievements of the forum as it acknowledges WSF's role in bringing certain political actors together who would have otherwise not come together. This view is shared by Callincos and Nineham who suggest the time has come not only for a united front within and outside the WSF but a departure from the ideology of autonomous social movements[765], a proposal which amounts to a break from everything the forum has stood for thus far.

Perhaps the most unique critique of the WSF is that of Lerner, who compares the similarities between neoliberalism and the WSF. He compares the notion of open space to the unregulated marketplace of neoliberalism and suggests that just as neoliberalism leads to an 'openness' where existing power structures dominate, so too does 'open space' lead to the domination of existing power structures in particular "panelists, NGO experts, men, loud or confident voices, and (when the social forum is in Brazil) Portuguese speakers[766]."

While many actors associated with the WSF see the forum as being part of a new politics that is horizontal, networked and open, in reality the Forum is nothing but a meeting of various forms of 'old' politics including NGOs, political parties, unions, social movements as well as interested individuals. Despite claims from several forum advocates that it represents a new politics which is beyond class (and even that we live in an era where class is no longer a defining aspect), the very nature of the forum reveals its class character.

---

[764] Bello, Walden. (2007). World Social Forum at the Crossroads. *Foreign Policy in Focus*. Available from: http://www.tni.org/detail_page.phtml?act_id=16771 [Online] Last accessed: 31 October 2010.
[765] Callincos, A and Nineham, C. (2007). At an impasse? Anti-capitalism and the social forums today. *International Socialism.* Iss. 115.
[766] Lerner, Josh. (2006)

In the WSF 2007 in Nairobi, the entry cost for the forum (5 Euros) was equivalent to a week's wages for most Kenyans[767]. If workers in the host country of the WSF are effectively excluded from participation due to its costs then the chances of workers from around the world participating are minimal. The inability of workers from around the world to participate has become a defining feature of the forum.

The WSF suffers from the same limitation as the global trade union movement, namely that there is no central organizing vision. This has prevented the forum from transforming what appears to be considerable will for change into any notable achievements. What can be concluded from the inadequacy of the WSF is that at least so far, not only are the more mainstream global institutions unable to respond to global challenges, but that a global alternative to the mainstream institutions is lacking.

By contrast though not a global organization/institution, SEWA has demonstrated methods of organizing that appear easy to implement on a global level, organization amongst all forms of workers, the formation of cooperatives, the provision of micro credit and various forms of social insurance, and the provision of services such as legal aid in addition to all the functions of a traditional trade union such as collective bargaining. That so many minds can meet at the WSF and produce so little over a decade demonstrates the weakness of the WSF either as a space or as a movement.

[767] Bonfond, Olivier. (2007). *The Nairobi World Social Forum – An Initial Summing.* Available from: http://www.forumsocialmundial.org.br/noticias_textos.php?cd_news=358 [Online] Last accessed: 31 October 2010.

Chapter 9 – Conclusion

The central theoretical element of this thesis was to find an explanation for cross national wage differences. In this sense the research undertaken has achieved its aim. The findings of this thesis have demonstrated that this explanation cannot be found through reference to simple market forces. The relative power between the various actors has been shown to determine outcomes in the global political economy. From this it can be concluded that despite claims about the inevitability of neoliberal globalization, politics remains important for labour, and political struggles that labour engages in within the 21st century will determine whether the situation faced at the turn of the 21st century will be any different at the turn of the 22nd century.

Despite this my assessment of the prospects for labour to date is a dismal one. The legacy institutions of the 20th century appear either unwilling or unable to cope with the pressures of a global capitalism. To view the issue through a Polanyian lens, despite the attempt in the late 20th century to disembed the global market from global society, thus far global society, despite some localized exceptions, has not shown any sign of a serious project to reembed the market within society. Without this process it is difficult to imagine change occurring in the substantial differences between workers' wages and indeed their lives.

Summary of Chapters

Chapter 2 demonstrated that there are significant differences between countries in the global North and those in the global South in terms of wages received for the same work. Despite this both productivity and cost of living proved not to be credible explanations as to why workers are paid differently. Given the invalidity of market based hypotheses based on the data, market based theories that

attempt to explain wages were rejected in favour of approaches which emphasized the role of power within a global political economy.

Leading on from the conclusions drawn from the empirical work in Chapter 2, Chapter 3 examined possible explanations for wage differences from the perspective of economic theories. The critique of the neoliberal theory built on the empirical observations from Chapter 2 and further demonstrated the need for historical and power based understandings of wages.

Chapter 4 explained divisions between workers as a result of a global class structure. This involved drawing on work that discussed the division of labour within capitalism between productive and unproductive labour and Marxist theory which discussed the division between the labour aristocracy and the rest of the working class. In addition to this global commodity chain theory was used to explain the political economy of the global production and consumption of commodities. These perspectives informed a theory of class highlighting a qualitative difference between workers in the global North and workers in the global South, with the latter generating surplus value that is appropriated in the global North including by workers.

Chapter 5 examined commodity chains in the garment/textile industry and the automobile industry. This involved a comparative study of commodity chains where the US hosted the lead firm, and where Germany hosted the lead firm. From this comparison it was established that institutions in both the host country of the lead firm and the host country of the supplying firm can have an impact in increasing the level of value distribution in favour of the supplying firm. Despite this in each of the situations the supplying firm workers lacked institutions to support them and thus impact the distribution of value between themselves and their employer. This largely explains the lower level of wages received by workers in the global South which were evident in Chapter 2.

Chapter 6 reviewed the role of institutions in mediating the forces of capitalism. The majority of the literature was concerned with welfare state arrangements in Northern and Western Europe and is wholly inapplicable for the global South. This trend was broken by Moseley whose work demonstrates the historical importance of institutions in the global South, their absence and the seeming inability of workers in the global South to unilaterally establish institutions without a deleterious response from global capital. This underlies the importance of a global response particularly from labour in the global South, the majority of the world's productive workers.

Chapter 7 looked at the prospects of the international institutions of the 20th century in acting as a mediating force for global capitalism including the International Labour Organization, the International Trade Union Confederation, the UN Global Compact and the Global Framework Agreements. The ILO was found wanting even in terms of achieving seemingly conservative goals through the Decent Work agenda. As an international institution it was concluded that the ILO's limited program focusing on minimum labour standards is the most that governments, workers and employers in the global North and global South can agree upon given the structural contradictions demonstrated in the previous chapters. The same can be said of the UN Global Compact and the International Framework Agreements which by and large replicate ILO standards and attempt to attach them to voluntary agreement by corporations. The existence of a structural divide as I have demonstrated in previous chapters is unlikely to be resolved through the voluntary acquiescence of the dominant actors.

On the other hand the ITUC appears to be at a crossroads. The 20th century history of its component parts was dominated by the Cold War paradigm greatly limiting its effectiveness as an international institution. ITUC campaigns during the late 20th century demonstrated lack of willingness to engage with the global South, and a corresponding failure to develop forces to mediate the effects of

globalization. Despite this the merger of the International Confederation of Free Trade Unions and the World Confederation of Labour, and the participation in the ITUC by organizations such as Self Employed Women's Association may provide impetus for progress in the 21st century.

Chapter 8 explored the alternatives for labour to the institutionalized power that has evolved out of the 20th century in the form of social movement unionism and the World Social Forum. While social movement unionism is found to date to have been a predominantly Northern concept, it is a model that demonstrates the greatest level of potential in terms of organizing in the global South. In support of this argument the example of SEWA demonstrated that the most vulnerable workers in India are successfully organizing social movement unionism as their strategy.

Conversely the WSF was found wanting in a number of ways lacking a central organizing vision, being dominated organizationally by groups from Brazil (and linguistically by the Portuguese language), and being expensive to participate in for workers around the world, particularly those from the global South. It is not clear what if anything the WSF has achieved in its decade of history. For all its grandiose and obstreperous statements there is a lack of corresponding concrete action. In addition to this, the laissez-faire of open space seems to closely correspond to the neoliberalism which the forum attempts to critique, leading to the reproduction of dominant power structures within the forum.

Having summarized the chapters, it remains to concisely state my conclusions. The starting point is that the wages of workers producing in the global north are substantially higher than those of workers producing the same things in the global south. Comparative data show that the wage differences between north and south are not justified by productivity nor explained by market-based theories. Instead, the reasons why people are paid differently for the same work lie in complex relationships of power that are best understood through Marxist

and institutionalist perspectives. To this end, the commodity chain framework is a very useful way of analysing global production, the division of labour and the distribution of value that has emerged in the last three to four decades.

I have concluded that the class and political relationships between productive labour and capital differs between the north and south. Institutions, once established, can empower Workers in the north were powerful enough, at various points of the twentieth century, to ensure the establishment of national institutions that tempered the level of exploitation. However, by and large, such arrangements do not exist in the global south. The absence of institutions supporting the goals of workers in the global South is a key reason behind their inability to capture a greater share of global value and bargain for higher wages than they currently receive.

Capital is gaining a greater share of value from labour across the globe. Changing this needs solidarity and a common political response from workers in the global North and South. The objective must be to establish adequate regulation and institutions in the south and to reinforce the arrangements that are under threat in the north. Neither the international institutions of the 20th century including the ILO and the ICFTU, nor the global responses such as the UN Global Compact or the World Social Forum appear capable of altering the prevailing balance of power in favour of workers in the global South. My dismal conclusion is that the majority of these institutions show no signs of bearing the historic responsibility of altering the relationship between labour and capital. While there are emerging movements such as the newly consolidated International Trade Union Confederation, and social movement unions such as the Self Employed Women's Association, the capacity of these formations to provide a sufficient response in the face of global capital is a question for the future.

There are also some fundamental conclusions which I believe can be drawn from this work, particularly in terms of future labour praxis. Firstly there is need for recognition that labour in the global South is firstly quantitatively different in terms of the size of the labour force, the hours worked, and the level of wages paid. Secondly and more importantly however, labour in the global South is a qualitatively different entity than labour in the global North with different and often contradictory interests. This is not to say that workers in the global South and the global North cannot act collectively. Agitating for measures to curb financial speculation is an example of something that cuts across all workers' interests. An honest appreciation of the structural differences between workers will contribute to a more genuine and open solidarity on those issues in which workers can act together. This necessarily involves recognition of the structural contradiction between workers in the global North and those in the global South, and an appreciation that high wages in the North may well be a function of low wages in the South.

With regard to unions themselves there is a strong sense from this research that unions must go beyond their role as bargainers for pay and conditions to address broader community concerns. While bargaining will determine the extent of a workers' income at the firm level, a focus on this alone means that when a worker leaves the workplace they leave the operating space of the union as well. The example of SEWA has demonstrated ways in which unions can be present in numerous other aspects of a worker's life. If a union is able to step into a role that the state has traditionally performed and has abrogated through neoliberalism it greatly increases its appeal.

What is necessary for workers involved in global production is that an entity performs a central organizing role. Such an entity would coordinate the struggles of production workers across the globe and empower workers through the development of mechanisms to address their concerns. If indeed it is the case that the state has become captive to capital on a global scale then to be

effective labour must respond in kind and must endeavour to bring the global market within a social framework. Time will tell whether the organizations considered in this project will be able to perform such a role.

This project has opened avenues for future research in a number of areas. It will remain important to monitor shifts in cross national wage differences as well as shifts in global production. As a method of understanding these changes, the global commodity chain approach provides the framework for such an analysis and one that seems to make sense of changes in the global political economy.

The continued development of the various international institutions will also be interesting to observe. While the ILO appears an institution in decline, changes within the ITUC suggest a potential for the organization to change and evolve. An ITUC no longer hamstrung by the politics of the Cold War may find a way to confront globalization effectively. Signs of change within the ITUC are evident with Sharran Burrow's recent election as General Secretary. In her acceptance speech she commented that:

> "I am a warrior for woman and we still have work to ensure the inclusion of women in the work place and in our unions. The struggles for women are multiple – too often within their families for independence, then in the workplace for rights and equal opportunity, in their unions for access and representation and then as union leaders…Organising woman is and must continue to be a priority for the ITUC[768]."

A review of the ITUC after its third congress, scheduled for 2014, would be useful in terms of evaluating this progress as well as the trajectory of the ITUC.

[768] Burrow, Sharan. (2010). *Sharan Burrow Acceptance Speech – Secretary General.* Available from: http://www.ituc-csi.org/sharan-burrow-acceptance-speech.html?lang=en [Online] Last accessed: 31 October 2010.

Of critical importance for the ITUC, or any other actor in terms of global labour advocacy, is China. The state which is responsible for regulating the largest contribution to the global labour force is a state which ensures that these workers confront capital with their hands tied behind their back. The result is a burden for workers far beyond China's borders. While China's loudest critics are to be found in the global North, the global South suffers the most as a result of this situation. The development of the ITUC's work with and inside China will be important and interesting to monitor as will any future linkages between the global social movements and China.

This research has also demonstrated the need for studies which place labour at the centre of a global commodity chain framework. Such studies would broaden understanding about global structures which unions and other advocates for labour must relate to in order to improve workers' conditions. The commodity chain approach appears the best available methodology to examine global production, however to date it has by and large become a tool which has informed power struggles between various forms of capital with labour at best represented at the periphery. The global commodity chain approach can, and should, be the analytical point of departure for those representing global labour but with labour at the centre of the analysis.

It has been demonstrated throughout this project that workers in the global South achieve outcomes that fall far short of those in the global North. This is the result of a global division of labour and also a situation whereby those most vulnerable of workers lack mechanisms for empowerment. While at present this appears to be a globally pervasive state of affairs, it is difficult to imagine this always being the case. If the end of the 20th century was a time for the dismantling of the nation state and the establishment of the global market, then I will watch with interest to see whether the 21st century will be one where workers on a global scale are able to transform the world in which they live,

reining in the market and challenging a situation where those workers who are involved in production enrich everyone but themselves.

Bibliography

1. A World To Win. (2003). Committee of the Revolutionary Internationalist Movement on Communist Tactics and the Anti-Globalisation Movement. *A World To Win.*

2. A. Herod, 'Of Blocs, Flows and Networks: The end of the Cold War, Cyberspace, and the Geo-Economics of Organized Labor at the Fin de Millenaire', in A. Herod, G. Tuathail, and S. Roberts (Eds.). (1998). *An Unruly World?* London and New York: Routledge.

3. Abramsky, Kolya. (2006). *The Bamako Appeal and the Zapatista 6th Declaration: Between Creating New Worlds and Reorganizing the Existing One.*

4. AFL-CIO. *Shipping Jobs Overseas: How Real is the Problem.* Available from: http://www.aflcio.org/issues/jobseconomy/jobs/outsourcing_problems.cfm [Online] Last accessed: 31 October 2010.

5. Alan Heston, Robert Summers and Bettina Aten. (2006). *Penn World Table Version 6.2* Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania.

6. All-China Federation of Trade Unions. (2007). *A Brief History of the ACFTU's Development.* Available from: http://www.acftu.org.cn/template/10002/file.jsp?cid=65&aid=214 [Online] Last accessed: 31 October 2010.

7. Alston, Philip. (2004). Core Labour Standards and the Transformation of the International Labour Rights Regime. *European Journal of International Law.* Vol 15, No 3.

8. Alston, Phillip. (2005). Facing Up to the Complexities of the ILO's Core Labour Standards Agenda. *The European Journal of International Law.* Vol 16, no 3.

9. Amin, Samir. (1974). *Accumulation on a World Scale: A Critique of the Theory of Underdevelopment.* Trans. by Brian Pearce. New York: Monthly Review Press.

10. Amin, Samir. (1976). *Unequal Development: An Essay on the Social Formations of Peripheral Capitalism*. New York: Monthly Review Press.

11. Amin, Samir. (2008). *There is No Alternative but Socialism.* Available from: http://www.pragoti.org/node/2566 [Online] Last accessed: 31 October 2010.

12. Anderson, Jan Otto. (1976). *Studies in the Theory of Unequal Exchange Between Nations.* Abo: Abo Akademi.

13. Anner, Mark. (2001). *Evaluation Report: ICFTU Campaign for Core Labour Standards in the WTO*. Available from: http://icftu.org/www/doc/TilsEval2001.doc [Online] p4 Last accessed: 31 October 2010.

14. Anner, Mark. (2001). The International Trade Union Campaign for Core Labour Standards in the WTO. *Working USA.* Vol 5, No 1.

15. Anthony, Debra and Silva, Jose Antonio. 2005. *World Social Forum: In A First, Delegates Hammer Out A 'Consensus'* Terra Viva.

16. Anthony, Debra and Silva, Jose Antonio. 30/01/2005. *Group of 19: The Consensus of Porto Allegre?* Available from: http://www.ipsterraviva.net/TV/WSF2005/viewstory.asp?idnews=153 [Online] Last accessed: 31 October 2010.

17. Ant-Lkbn Antara. (2005). *Govt to Focus on Labor-Intensive, Export-Oriented Industries.* Available from: http://www.highbeam.com/doc/1G1-139192376.html [Online] Accessed: 25 October 2009.

18. Appelbaum, R and Gereffi, G. (1994). Power and Profits in the Apparel Commodity Chain. In, *Global Production: The Apparel Industry in the Pacific Rim*, edited by Edna Bonacich, Lucie Cheng, Norma Chinchilla, Nora Hamilton, and Paul Ong. Philadelphia, PA: Temple University Press.

19. Arnold, Wayne. (2006, February 28). Not All Roads Lead to China. *New York Times*

20. Arrighi, G and Saul, J. (1973). *Essays on the Political Economy of Africa.* New York: Monthly Review Press.

21. Arrighi, Giovanni. (1991). World Income Inequalities and the Future of Socialism. *New Left Review.* I/189.

22. Asian Development Bank. (2009). *NEP: Proposed Road Connectivity Project.* Available from: http://www.adb.org/Documents/IPSAs/NEP/38350-NEP-IPSA.pdf [Online] Last accessed: 31 October 2010.

23. Athale, Gouri Agtey. (2008). *Fiat, Volkswagen and BMW Plan to Roll Small Cars in India.* Available from: http://economictimes.indiatimes.com/News/News-By-Industry/Auto/Automobiles/Fiat-Volkswagen--BMW-plan-to-roll-small-cars-in-India/articleshow/2799570.cms [Online] Last accessed: 31 October 2010

24. Australian Broadcasting Corporation. (2003). *Unions Consider Legal Fight Over BHP Outsourcing Plan*. Available from: http://abc.gov.au/news/stories/2003/03/14/806960.htm [Online] Last accessed: 31 October 2010.

25. Australian Council of Trade Unions. (1997). *Outsourcing, Casualisation and Part Time Work Resolution ACTU Congress 1997*. Available from: http://www.actu.org.au/Images/Dynamic/attachments/5153/ACTUCongress1997_Outsourcing_Casualisation_and_Parttime_Work_Resolution.pdf [Online] Last accessed: 31 October 2010.

26. Australian Council of Trade Unions. (2003). *International Policy ACTU Congress 2003.* Available from: http://www.actu.org.au/Images/Dynamic/attachments/146/ACTUCongress2003_International_Policy.pdf [Online] Last accessed: 31 October 2010.

27. Australian Services Union. (2008). *Unions Launch Offensive Against Outsourcing.* Available from: http://www.asumembers.org.au/downloads/newsletters/ONESKYNEWS_0608_Final_e.pdf [Online] Last accessed: 31 October 2010.

28. Baber, Zaheer. (2001). Modernization Theory and the Cold War. *Journal of Contemporary Asia.* Vol 31, no 1.

29. Bach, G. (1966). *Economics: An Introduction to Analysis and Policy.* New York: Prentice-Hall.

30. Bair, J and Gereffi, G. (2001). Local Clusters in Global Chains: The Causes and Consequences of Export Dynamism in Torreon's Blue Jeans Industry. *World Development.* Vol 29, Iss 11.

31. Baran, Paul. (1973). *The Political Economy of Growth.* Penguin: Ringwood.

32. Barber, Brendan. (2004). Workers of the World are Uniting. *Financial Times.* Dec 7.

33. Barchiesi, Franco, Bohmke, Heinrich, Naidoo, Prishani and Veriava, Ahmed. (2006). *Does Bamako Appeal? The World Social Forum Versus the Life Strategies of the Subaltern.*

34. Barone, Charles. (2004). *Radical Political Economy.* M.E.Sharpe: New York.

35. Basu, Kaushik. (2005). *Winners and Losers in Global Shakeup.* Available from: http://news.bbc.co.uk/1/hi/world/south_asia/4294679.stm [Online]. Last accessed: 31 October 2010

36. Bellamy, Carol. (1997). *The State of the World's Children.* Oxford University Press: Oxford. P23

37. Bello, Walden. (2007). World Social Forum at the Crossroads. *Foreign Policy in Focus.* Available from: http://www.tni.org/detail_page.phtml?act_id=16771 [Online] Last accessed: 31 October 2010.

38. Benetti, C. (1976). *Valeur et Repartition.* Grenoble.

39. Benetti, C., Berthomieu, C. And Cartelier, J. (1975). *Economie Classique Economie Vulgaire*. Grenoble.

40. Berrill, K. (1960). *The Problem of Economic 'Take-Off'.* Round table of the International Economic Association on Economic Development with Special Reference to East Asia.

41. Bhagwati, J. (editor), 2002: *Going Alone: The Case for Relaxed Reciprocity in Freeing Trade.* MIT Press, Cambridge, MA

42. Bianchi, Stefania. (2004). Labor: Giant International Unions to Explore a Merger. *Global Information Network.* Dec 2.

43. Blanchette, Jude. (2004). Education is the Effect, not the Cause, of Affluence. *The Freeman.* Vol 54, Iss 6.

44. Bloecker, A. and Wortmann, M. (2005). Strukturwandel und Internationale Beschaffung im Einzelhandel mit Bekleidung. *Prokla, Zeitschrift fuer kritische Sozialwissenschaft*, Vol 138

45. Bonfond, Olivier. (2007). *The Nairobi World Social Forum – An Initial Summing.* Available from: http://www.forumsocialmundial.org.br/noticias_textos.php?cd_news=358 [Online] Last accessed: 31 October 2010.

46. Boseley, Sarah. (2008). Profile: Mirai Chatterjee: Securing Work and Health Care for Women in India. *The Lancet.* Vol 372.

47. Botwinick, Howard. (1993). *Persistent Inequalities: Wage Disparity Under Capitalist Competition.* Princeton: Princeton University Press.

48. Bourg, Julian. (2004). Empire Versus Multitude: Place Your Bets. *Ethics and International Affairs.* Vol 18, No 3.

49. Bradley, David, Evelyne Huber, Stephanie Moller, Francois Nielsen, and John D. Stephens. (2003). Distribution and Redistribution in Post-Industrial Democracies. *World Politics*, Vol 55.

50. Brewer, A. (1990). *Marxist Theories of Imperialism: A Critical Survey.* 2nd Ed. Routledge: London.

51. Buhle, Paul. (2001). The Myth of the Middle-Class Society. *Monthly Review.* Vol 52, No 10.

52. Burrow, Sharan. (2010). *Sharan Burrow Acceptance Speech – Secretary General.* Available from: http://www.ituc-csi.org/sharan-burrow-acceptance-speech.html?lang=en [Online] Last accessed: 31 October 2010.

53. Butler, Harold. (1950). *Confident Morning.* London: Faber and Faber

54. Rigby, C. (Ed.). (2003). *Monitoring International Labor Standards: National Legal Frameworks, Summary of a Workshop*.

55. Callincos, A and Nineham, C. (2007). At an impasse? Anti-capitalism and the Social Forums Today. *International Socialism. Iss. 115*

56. Cardoso, Fernando and Enzo, Faletto. (1979). *Dependency and Development in Latin America.* University of California Press: Los Angeles.

57. Castle, Stephen. (2007). *The EU and China will Monitor Chinese Clothing Exports to Europe.* The New York Times: October 9 2007

58. Centre for Global Negotiations. (2010). *The Brandt Equation: 21st Century Blueprint for the New Global Economy.* Available from: http://www.brandt21forum.info/About_BrandtCommission.htm [Online] Last accessed: 31 October 2010.

59. Chan, Anita. (1998). Labor Standards and Human Rights: The Case of Chinese Workers Under Market Socialism. *Human Rights Quarterly* 20.4

60. Chen, F. (2006). *Speech for the Seventh Plenary of the Fifth Municipal Education Workers' Union*, 11 January. Dalian Municipal Federation of Trade Unions: Dalian.

61. Chen, Stephen and Bouvain, Petra. (2009). Is Corporate Responsibility Converging? A Comparison of Corporate Responsibility Reporting in the USA, UK, Australia, and Germany. *Journal of Business Ethics.* Vol 87.

62. China Development Gateway. (2006). *Trade Union Creates 120,000 More Branches.* http://www.china.org.cn/english/China/174025.htm [Online] Last accessed: 31 October 2010.

63. Clawson, Dan. (2008). Neo-liberalism Guarantees Social Movement Unionism. *Employee Responsibilities and Rights Journal.* Vol 20, No 3.

64. Collins, J. (2003). *Threads. Gender, Labor and Power in the Global Apparel Industry*. Chicago, IL, Chicago University Press.

65. Compa, Lance, A. (2002). Core Labour Rights: Promise and Peril. *International Union Rights.* Vol 9, Iss 3.

66. Computerweekly.com. (2005). *Union to Fight British Gas IT Outsourcing Plans*. Available from: http://www.computerweekly.com/Articles/2005/07/22/211013/union-to-fight-british-gas-it-outsourcing-plans.htm [Online] Last accessed: 31 October 2010.

67. COSATU. (1995). *COSATU Strategy Workshop*. Available from: http://www.cosatu.org.za/show.php?include=docs/pr/1995/pr1025.html&ID=711&cat=Media%20Centre [Online] Last accessed: 31 October 2010.

68. Cox, Robert. (1977). Labour and Hegemony. *International Organization.* Vol 31, Iss 3.

69. Creighton, 'The Future of Labour Law: Is There A Role for International Labour Standards?' in C. Bernard, S. Deakin, and G. Morris (eds.). (2004). The *Future of Labour Law.*

70. Datta, Rekha. (2003). From Development to Empowerment: The Self-Employed Women's Association in India. *International Journal of Politics, Culture and Society.* Vol 16, No 3.

71. De Gregori, Thomas. (2002). *Child Labor or Child Prostitution.* Available from: http://www.cato.org/pub_display.php?pub_id=3621 [Online] Last accessed: 31 October 2010.

72. Deng Xiaoping. (1978). *The Working Class Should Make Outstanding Contributions to the Four Modernizations.* Available from: http://english.peopledaily.com.cn/dengxp/vol2/text/b1250.html [Online] Accessed 26 October 2009

73. Deng Xiaoping. (1984). *Building Socialism with a Specifically Chinese Character.* Available from: http://english.peopledaily.com.cn/dengxp/vol3/text/c1220.html [Online] Accessed 26 October 2009

74. Depner, H and Bathelt, H. (2005). Exporting the German Model: The Establishment of a New Automobile Industry Cluster in Shanghai. *Economic Geography.* Vol 81, Iss 1.

75. Deva, Surya. (2006). Global Compact: A Critique of the UN's 'Public-Private' Partnership for Promoting Corporate Citizenship. *Syracuse Journal of International Law and Commerce.* Vol 34, Iss 1.

76. Diaz, Liliana. (2006). Resources for Creating Another World: Financial Strategies for the World Social Forum. *Development.* Vol 49 (2)

77. Dixon, Norm. (2000). Marx, Engels and Lenin on the National Question. *Links: International Journal of Socialist Renewal.* Issue 13.

78. Dornbusch, Rudiger, Fischer, Stanly and Samuelson, Paul. (1980). Heckscher-Ohlin Trade Theory with a Continuum of Goods. *The Quarterly Journal of Economics.* Vol 95, No 2.

79. Drezner, Daniel. (1998). Globalizers of the World, Unite! *The Washington Quarterly.* Winter.

80. Drug War Chronicle. (2009). Latin America: Peru's Shining Path Making a Comeback? *Drug War Chronicle.* Iss 566. Available from: http://stopthedrugwar.org/chronicle/566/Peru_coca_cocaine_shining_path [Online] Last accessed: 31 October 2010.

81. Edwards, H.W. (1978). *Labour Aristocracy: Mass Base of Social Democracy*. Stockholm: Aurora Edition.

82. Egels-Zanden, Niklas. (2009). TNC Motives for Signing International Framework Agreements: A Continuous Bargaining Model of Stakeholder Pressure. *Journal of Business Ethics.* Vol 84, No 4.

83. Eisner, R. (1988). Extended Accounts for National Income and Product. *Journal of Economic Literature.* Vol 26.

84. Elliot, Kimberley and Freeman, Richard. (2003). *Can Labor Standards Improve Under Globalization.* Washington DC: Institute for International Economics.

85. ELT News. (2010). *Fukuoka General Union Attacks the Outsourcing of ALT Jobs to Dispatch Companies.* Available from: http://www.eltnews.com/news/archives/2010/03/fukuoka_general.html [Online] Last accessed: 31 October 2010.

86. Emmanuel, Arghiri. (1972). *Unequal Exchange: A Study of the Imperialism of Trade.* Monthly Review Press: New York.

87. Emmanuel, Arghiri. (1974) Myths of Development Versus Myths of Underdevelopment. *New Left Review.* May/June.

88. Emmanuel, Arghiri. (1975). Unequal Exchange Revisited. IDS Discussion Paper no. 77.

89. Emmanuel, Arghiri. (1976). The Socialist Project in a Disintegrated Capitalist World. *Socialist Thought and Practice: A Yugoslav Monthly,* vol 16, no 9.

90. Emmerij, Louis, Jolly, Richard and Weiss, Thomas George. (2001). *Ahead of the Curve?: UN Ideas and Global Challenges.* Indiana University Press: Bloomington.

91. Emmerij, Louis. (2005). The History of Ideas: An Introduction to the United Nations Intellectual History Project. *Forum for Development Studies.* Vol 1.

92. England, Vaudine. (2008). *Philippine Communists Mark 40th.* Available from: http://news.bbc.co.uk/2/hi/asia-pacific/7800033.stm [Online] Last accessed: 31 October 2010.

93. Esslinger, Hans. (1996). '…More of Keynes and Less of Milton Friedman!': Sir Hans Singer's Contributions to Economics. *Review of Political Economy.* Vol 8, No 4.

94. European Federation of Public Service Unions. (2006). *German Unions Fight Outsourcing in Swedish Energy Company Vattenfall – Strike Action Threatened.* Available from: http://www.epsu.org/a/1845 [Online] Last accessed: 31 October 2010.

95. Fairbrother, Peter and Hammer, Nikolaus. (2005). Global Unions: Past Efforts and Future Prospects. *Relations Industrielles.* Vol 60, Iss 3.

96. Fanon, Frantz. (1967). *The Wretched of the Earth.* London: Penguin.

97. Faust, M. (2005). *Reorganization and Relocation in the German Fashion Industry.* Paper Presented at the Conference on Organizational Configurations and Locational Choices of Firms, Centre for Business Research, University of Cambridge, 14–15 April

98. Ferraro, Vince. (1996). *Dependency Theory: An Introduction*. Available from: http://www.mtholyoke.edu/acad/intrel/depend.htm [Online] Last accessed: October 1 2005.

99. Firstworldwar.com. (2010). *Second International.* Available from: http://www.firstworldwar.com/atoz/secondinternational.htm [Online] Last accessed: 31 October 2010.

100. Frank, A. (1969). The Development of Underdevelopment. *Monthly Review.* Vol. 41, Iss. 2

101. Frank, A. (1978). *World Accumulation 1492-1789.* New York: Monthly Review Press.

102. Freeman, Richard and Oostendorp, Remco. (2005). *Occupational Wages Around the World Database.* Available from: http://www.nber.org/oww/ [Online] Last accessed: 31 October 2010

103. Freeman, Richard. (2006). *The Great Doubling: The Challenge of the Global Labor Market.* Available from: http://emlab.berkeley.edu/users/webfac/eichengreen/e183_sp07/great_doub.pdf [Online] Last accessed: 31 October 2010.

104. Freidman, Samuel. (1983). "Structure, Process and the Labor Market," in Darity Jr, William. *Labor Economics: Modern Views.* Hingham: Kluwer-Nijhoff.

105. Freidman, Samuel. (1983). The Theory of the Labor Aristocracy. *Against the Current.* Vol 2, no 3.

106. Furtado, Celso. (1963). *The Economic Growth of Brazil: A Survey from Colonial to Modern Times.* Los Angeles: University of California Press

107. Furtado, Celso. (1964). *Development and Underdevelopment.* Los Angeles: University of California Press

108. Garnaut, R (editor). (1998). *Open Regionalism and Trade Liberalization*. Allen and Unwin: Sydney

109. Garnaut, Ross and Song, Ligang (Eds). (2007). *China: Linking Markets for Growth.* ANU E-Press: Canberra.

110. Geddes, Pete. (2004). The Benefits of Globalization. *Bozeman Daily Chronicle. January 07.* Available from: http://www.free-eco.org/articleDisplay.php?id=378 [Online] Last accessed: 31 October 2010.

111. Gerdes, C. (1977). The Fundamental Contradiction in the Neoclassical Theory of Income Distribution. *Review of Radical Political Economics.* Vol 9, No 2.

112. Gereffi, Gary. (1997). Global Shifts, Regional Response: Can North America Meet the Full-Package Challenge? *Bobbin.* (November).

113. Gereffi, Gary. (1999). *A Commodity Chains Framework for Analysing Global Industries.* Mimeo: Duke University

114. Gereffi, Gary. (2000). *The Transformation of the North American Apparel Industry: Is NAFTA a Curse or a Blessing?* United Nations Publications: Santiago

115. Gereffi, Gary. (2005). *New Offshoring of Jobs and Global Development.* ILO Social Policy Lectures: Jamaica, December, 2005.

116. Ghimre, Kleber. (2006). Introduction: Financial Independence among NGOs and Social Movements. *Development.* Vol 49 (2)

117. Giddens, Anthony. (1999). *Runaway World*. Available from: http://news.bbc.co.uk/hi/english/static/events/reith_99/week1/week1.htm [Online] Last accessed: 31 October 2010

118. Global Unions. (2009). *Who Are Global Unions?* Available from: http://www.global-unions.org/spip.php?rubrique25 [Online] Last accessed: 31 October 2010.

119. Gokhale, Jagadeesh. (2010). Globalization: Curse or Cure? *Policy Analysis.* No 659.

120. Goldfrank, Walter. (2000). Paradigm Regained? The Rules of Wallerstein's World-System Method. *Journal of World-Systems Research.* Vol 11, No 2.

121. Golub, S and Chang-Tai, H. (2002). Classical Ricardian Theory of Comparative Advantage Revisited. *Review of International Economics.* Vol 8, Iss 2.

122. Government of the Peoples Republic of China: China Economic Information Network. (2006). *More labor-intensive industries needed*.

Available from: http://www1.cei.gov.cn/ce/doc/cen1/200608312431.htm [Online] Accessed: 25 October 2009.

123. Griffin, Gerald, Nyland Chris, O'Rourke, Anne. (2003). Trade Unions and the Trade-Labour Rights Link: A North-South Union Divide? *The International Journal of Comparative Labour Law and Industrial Relations.* Vol 19, Iss 4.

124. Grubacic, Andrej. (2003). Towards Another Anarchism. In, Sen, Jai, Anand, Anita, Escobar, Arturo and Waterman, Peter. (2004). *The World Social Forum: Challenging Empires.* New Delhi: Viveka Foundation.

125. Gust, C and Marquez, J. (2001). International Comparisons of Productivity Growth. *Business Economics.* Jul, 36, 3.

126. Hall, John Alexander. (2006). *China Casts a Giant Shadow: The Developing World Confronts Trade Liberalization and the End of Quotas in the Garment Industry*. International Business and Law, Vol. 5, No. 1

127. Hardt, Michael and Negri, Antonio. (2000). *Empire.* Harvard University Press: London.

128. Hardt, Michael and Negri, Antonio. (2006). *Multitude.* London: Penguin.

129. Harris, Nick. (2006). £676,000: *The Average Salary of a Premiership Footballer in 2006. The Independent* (London). Available from: http://www.independent.co.uk/sport/football/news-and-comment/163676000-the-average-salary-of-a-premiership-footballer-in-2006-473659.html. [Online] Last accessed: 31 October 2010.

130. Harris, Nigel. (1986). *The End of the Third World: Newly Industrializing Countries and the Decline of an Ideology.* Penguin: London.

131. Harvey, David. (2004). Retrospect on The Limits to Capital. *Antipode*.

132. Harvey, David. (2006). *Limits to Capital.* Verso: London.

133. Hassanpour, Amir. (2009). Ferment and Fetters in the Study of Kurdish Nationalism – Part IV. *The Kurdish Globe.*

134. Heintz, James. (2006). Low Wage Manufacturing and Global Commodity Chains: A Model in the Unequal Exchange Tradition. *Cambridge Journal of Economics. Vol 30*

135. Hibbs. D. (1978). On the Political Economy of Long-Run Trends in Strike Activity. *British Journal of Political Science.* Vol 8

136. Hillemanns, Carolin. (2003). UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights. *German Law Journal.* Vol 4, Iss 10.

137. HK Privat. (2005). *National Report on Offshore Outsourcing in Denmark.* Available from: http://www.uniglobalunion.org/unisite/sectors/ibits/moos/reports%20pdf/National_report_offshore%20outsourcing%20in%20Denmark_2_5_2005.pdf [Online] Last accessed: 31 October 2010.

138. Holz, Carsten. (2006). *Measuring Chinese Productivity Growth: 1952-2006*. Available from: http://www.oecd.org/dataoecd/46/45/37601286.pdf [Online] Last accessed: 31 October 2010.

139. Hoon-Halbauer, S. K. (1999). Managing Relationships within Sino-foreign Joint Ventures. *Journal of World Business.* Vol 34.

140. Hopkins, T and Wallerstein, I. (1986). Commodity Chains in the World Economy Prior to 1800. *Review.* 10(1).

141. Huber Evelyne, Ragin, Charles and Stephens, John. (1993). Social Democracy, Christian Democracy, Constitutional Structure and the Welfare State. *American Journal of Sociology*, Vol 99.

142. Huber, Evelyne and John Stephens. (1999). The Bourgeoisie and Democracy: Historical and Contemporary Perspectives from Europe and Latin America. *Social Research.* Vol 66.

143. Huber, Evelyne and John Stephens. (2001). *Development and Crisis of the Welfare State: Parties and Policies in Global Markets*. University of Chicago Press.

144. Huber, Evelyne, Dietrich Rueschemeyer and John D. Stephens. (1993). The Impact of Economic Development on Democracy. *Journal of Economic Perspectives*, Vol 7.

145. Huber, Evelyne, Dietrich Rueschemeyer and John D. Stephens. (1997). The Paradoxes of Contemporary Democracy: Formal, Participatory, and Social Dimensions. *Comparative Politics* Vol 29.

146. Hughes, Steve. (2005). The International Labour Organization. *Global Monitor.* Vol 10 No 3.

147. Hughes, Steve. (2005). The Role of the ILO in the Development of Economic and Social Policies. *New Political Economy*. Vol 10, Iss 3

148. Humphrey, J., Schmitz, H. (2002) How Does Insertion in Global Value Chains Affect Upgrading in Industrial Clusters? *Regional Studies*, 36(9).

149. ILO. (1999). *Constitution Of The International Labour Organization*. Available from: http://www.ilo.org/ilolex/english/constite.htm [Online] Last accessed: 31 October 2010

150. ILO. (1999). Decent *work: Report of the Director General to the 87th Session of the International Labour Conference.*

151. International Confederation of Free Trade Unions. (1999). *Trade Union World.* Available from: http://www.icftu.org/displaydocument.asp?Index=990909001&Language=EN [Online] Last accessed: 31 October 2010.

152. International Confederation of Free Trade Unions. (2003). *Democratizing Globalization: Trade Union Statement to the 2003 WEF and WSF.* Available from: http://www.icftu.org/displaydocument.asp?Index=991216994&Language=EN [Online] Last accessed: 31 October 2010.

153. International Confederation of Free Trade Unions. (2004). *ICFTU Constitution.* Available from: http://www.icftu.org/www/pdf/Constitution-18.pdf [Online] Last accessed: 31 October 2010.

154. International Confederation of Free Trade Unions. (2005). *China: Don't Believe the Hype.* Available from: http://www.icftu.org/displaydocument.asp?Index=991223214&Language=EN [Online] Last accessed: 31 October 2010.

155. International Confederation of Free Trade Unions. (2006). *China: Foul Play in Race to Top Trade Rankings.* Available from: http://www.icftu.org/displaydocument.asp?Index=991223622&Language=EN [Online] Last accessed: 31 October 2010.

156. International Confederation of Free Trade Unions. (2006). *China, Peoples Republic of: Annual Survey of Violations of Trade Union Rights.* Available from: http://www.icftu.org/displaydocument.asp?Index=991223931&Language=EN [Online] Last accessed: 31 October 2010.

157. International Confederation of Free Trade Unions. (2006). *Chinese Government Releases Labour Political Prisoners but Harassment Continues.* Available from: http://www.icftu.org/displaydocument.asp?Index=991223467&Language=EN [Online] Last accessed: 31 October 2010.

158. International Confederation of Free Trade Unions. (2006). *While the Free Market Rules, The Rulers Deny Freedom to China's Workers.* Available from; http://www.icftu.org/displaydocument.asp?Index=991223809&Language=EN [Online] Last accessed: 31 October 2010.

159. International Institute of Social History. (2003). *World Federation of Trade Unions (WFTU).* Available from: http://www.iisg.nl/archives/gias/w/10777227.html [Online] Last accessed: 31 October 2010.

160. International Labor Organization. (2010). *LaborSTA*. Available from: http://laborsta.ilo.org/ [Online] Last accessed: 31 October 2010.

161. International Labor Organization. (2010). *What are EPZs?* Available from: http://www.ilo.org/public/english/dialogue/sector/themes/epz/epzs.htm [Online] Last accessed: 31 October 2010.

162. International Labour Office. (2003). *Time for Equality at Work.* International Labour Office: Geneva.

163. International Labour Office. (2010). *Accelerating Action Against Child Labour.* International Labour Office: Geneva.
164. International Labour Office: Committee of Experts on the Application of Conventions and Recommendations. (2007). *General Survey concerning the Forced Labour Convention, 1930 (No. 29), and the Abolition of Forced Labour Convention, 1957 (No. 105)*, International Labour Office: Geneva
165. International Labour Organisation (ILO). (2000). *Current International Recommendations on Labour Statistics*. Geneva: ILO.
166. International Labour Organization. (2004). *A Fair Globalization: Creating Opportunities for All.* International Labour Office: Geneva.
167. International Labour Organization. (2009). *World of Work Report.* International Labour Office: Geneva.
168. International Labour Organization. (2010). *Constitution of the International Labour Organization.* Available from: http://www.ilo.org/ilolex/english/iloconst.htm [Online] Last accessed: 31 October 2010.
169. International Labour Organization. (2010). *Convention No. C111.* Available from: http://www.ilo.org/ilolex/cgi-lex/ratifce.pl?C111 [Online] Last accessed: 31 October 2010.
170. International Labour Organization. (2010). *Facts on Child Labour.* Available from: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_126685.pdf [Online] Last accessed: 31 October 2010.
171. International Labour Organization. (2010). *How the ILO Works.* Available from: http://www.ilo.org/global/About_the_ILO/Structure/lang--en/index.htm [Online] Last accessed: 31 October 2010
172. International Labour Organization. (2010). *ILO History.* Available from: http://www.ilo.org/public/english/about/history.htm [Online] Last accessed: 31 October 2010

173. International Labour Organization. (2010). *The Declaration.* Available from: http://www.ilo.org/declaration/thedeclaration/lang--en/index.htm [Online] Last accessed: 31 October 2010.
174. International Labour Organization. (2010). *Worst Forms of Child Labour.* Available from: http://www.ilo.org/ipec/facts/WorstFormsofChildLabour/lang--en/index.htm [Online] Last accessed: 31 October 2010.
175. International Labour Organization. (2010). *United States Free Trade Agreements (FTAs).* Available from: http://www.ilo.org/global/What_we_do/InternationalLabourStandards/InformationResources/fta/lang--en/WCMS_115531/index.htm [Online] Last accessed: 31 October 2010.
176. International Metalworkers Federation. (2006). *The Purchasing Power of Working Time. Available from:* http://www.imfmetal.org/main/index.cfm?id=47&l=2&cid=15350 [Online] Last accessed: 31 October 2010
177. International Metalworkers Federation. (2009). *International Metalworkers Federation - IMF.* Available from: http://www.imfmetal.org/ [Online] Last accessed: 31 October 2010
178. International Monetary Fund. (2007). *World Economic and Financial Surveys: World Economic Outlook Database.* Available from: http://www.imf.org/external/pubs/ft/weo/2007/01/data/index.aspx [Online] Last accessed: 31 October 2010
179. International Monetary Fund. (2009). *International Financial Statistics Yearbook.* Available from: http://www.imfstatistics.org/imf/ [Online] Last accessed: 31 October 2010
180. International Trade Union Confederation. (2006). *ITUC Constitution*. Available from: http://www.ituc-csi.org/IMG/pdf/Const-ENG-W.pdf [Online] Last accessed: 31 October 2010.
181. International Trade Union Confederation. (2007). *China: Proposed New Draft Contract Law Fails to Guarantee Fundamental Rights.* Available from:

http://www.ituc-csi.org/china-proposed-new-draft-contract.html [Online] Last accessed: 31 October 2010.

182. International Trade Union Confederation. (2008). *Internationally Recognised Core Labour Standards In The People's Republic Of China*. Available from: http://www.ituc-csi.org/IMG/pdf/China_report._16_May.1330.FINAL.pdf P1. Last accessed: 31 October 2010.

183. International Trade Union Confederation. (2010). *List of Affiliated Organisations.* Available from: http://www.ituc-csi.org/IMG/pdf/No_36_-_Appendix_1_-_Affiliated_Organisations-2.pdf [Online] Last accessed: 31 October 2010.

184. International Trade Union Confederation. (2010). *News: China, Peoples Republic of.* Available from: http://www.ituc-csi.org/+-china-+.html [Online] Last accessed: 31 October 2010.

185. International Trade Union Confederation. (2010). *Resolution on Changing Globalization.* Available from: http://www.ituc-csi.org/IMG/pdf/2CO_01_Changing_Globalisation_03-10-2.pdf [Online] Last accessed: 31 October 2010.

186. International Trade Union Confederation. (2010). *The Impact of the Crisis on Society and Economy.* Available from: http://www.ituc-csi.org/+-el-impacto-social-y-economico-de-+.html [Online] Last accessed: 31 October 2010.

187. International Trade Union Federation. (2009). *World Social Forum: Trade Unions Call for a New Growth Model.* Available from: http://www.ituc-csi.org/world-social-forum-trade-unions.html [Online] Last accessed: 31 October 2010.

188. International Viewpoint. (2010). *Mediterranean Social Forum.* Available from: http://www.internationalviewpoint.org/spip.php?article829 [Online] Last accessed: 31 October 2010.

189. Islam, Shada. (1997). Wanted: Muscle. *Far Eastern Economic Review.* Vol. 160, Iss. 18

190. IUF. (2009). *Italian Unions Oppose Layoffs, Outsourcing at Ciga Starwood Hotels.* Available from: http://cms.iuf.org/?q=node/28 [Online] Last accessed: 31 October 2010.

191. James T. Shotwell (ed.). (1934). *The Origins of the International Labor Organization*. New York

192. Jauch, Herbert. (2004). *WTO, NEPAD and Social Clauses: a Trade Union Challenge.* Partners' Conference of LO Norway in Maputo, Mozambique.

193. Jefferson, Therese and King, John. (2001). *Never Intended to be a Theory About Everything: Domestic Labour In Neoclassical & Marxian Economics.* Discussion Paper Number 17. Available from: http://www.business.curtin.edu.au/files/WEPAU_DP-17_August_2001.pdf [Online] Last accessed: 31 October 2010

194. Joyner, Christopher. (1978). United States' Withdrawal from the ILO. *International Lawyer.* Vol 12, No 4.

195. Kaplinsky, R. (1971). Myths about the "Revolutionary Proletariat" in Developing Countries. *Institute of Development Studies Bulletin.* Vol 3, No 4.

196. Kapoor, Ilan. Capitalism, Culture, Agency: Dependency versus Postcolonial Theory. In, *Third World Quarterly*, 2002, Vol 23 No.4

197. Katz, Harry. (1997). Industrial Relations in the U.S. Automobile Industry: An Illustration of Increased Decentralization and Diversity. *Faculty Publications - Collective Bargaining, Labor Law, and Labor History.* Paper 35.

198. Katz, Wally. (2000). Don't Mourn, Globalize!, *New Labor Forum*, Vol 6 (7)

199. Kell, Georg and Ruggie, John. (1999). Global Markets and Social Legitimacy: the Case for the 'Global Compact'. *Transnational Corporations.* Vol 8, No 3.

200. Kendrick, J. (1970). A Brief History of National Income Accounts, in Sills, D (ed.) *The International Encyclopedia of the Social Sciences,* Vol II. New York: National Bureau of Economic Research.

201. Kerr, C., Harbison, F., Dunlop, J. and Myers, C. (1960). Industrialism and Industrial Man. *International Labour Review* 82(3).

202. Kessler, Judi. (1999). The North American Free Trade Agreement, Emerging Apparel Production Networks, and Industrial Upgrading: the Southern California/Mexico Connection. *Review of International Political Economy.* No 6.
203. Knall, B. (1962). Wirtschaftserschliessung und Entwicklungsstufen: Rostow's Wirstschaftsstufentheorie und die Typologie von Entwicklungsländern. Cited in, Itagaki, Y. (1963). The Criticism of Rostow's Stage Approach: the Concepts of Stage, System and Type. (1963). *Developing Economies.* Vol 1, Iss 1.
204. Korpi, Walter. (2001). Contentious Institutions: An Augmented Rational-Action Analysis Of The Origins And Path Dependency Of Welfare State Institutions In Western Countries. *Rationality and Society. Vol. 13 No. 2.*
205. Korpi, Walter. (2002). The Great Trough in Unemployment: A Long-Term View of Unemployment, Inflation, Strikes, and the Profit/Wage Ratio. *Politics & Society*, Vol 30, Iss 3.
206. Korzeniewicz, Roberto, Stach, Angela, Patil, Vrushali, and Moran, Timothy. (2004). Measuring National Income: A Critical Assessment. *Comparative Studies in Society and History.* Vol 46, Iss 3.
207. Kothari, Smitu. (2008). *Interview with Egyptian Economist Samir Amin.* Available from: http://www.e-joussour.net/en/node/1771 [Online] Last accessed: 31 October 2010.
208. Krueger, Anne. (1984). Trade Strategies and Employment in Developing Countries. *Finance and Development.*
209. Krueger, Anne. (2006). *Globalization and International Locational Competition Symposium in Honor of Herbert Giersch.* Available from: http://www.imf.org/external/np/speeches/2006/051106.htm [Online]
210. Lambert, Rob and Webster, Eddie. (2001). Southern Unionism and the New Labour Internationalism. *Antipode.* Vol 33, Iss 3.
211. Lane, Christel. (2008). National Capitalisms and Global Production Networks: An Analysis of their Interaction in Two Global Industries. *Socio-Economic Review.* Vol 6.

212. Langille, Brian A. (2005). Core Labour Rights – The True Story (Reply to Alston). *European Journal of International Law.* Vol 16, Iss 3.
213. Lazear, E. (2006). Productivity and Wages. *Business Economics.* Oct, 41, 4.
214. Leamer, E. (1999). Effort, Wages and the International Division of Labor. *The Journal of Political Economy.* Dec 1999; 107, 6.
215. Leary, Virginia. (1997). The WTO and the Social Clause: Post-Singapore. *European Journal of International Law.* Vol 8, Iss 1.
216. Lee, Eddy. (1994). The Declaration of Philadelphia: Retrospect and Prospect. *International Labour Review.* Vol 133, Iss 4.
217. Lee, George. (1971). Rosa Luxemburg and the Impact of Imperialism. *The Economic Journal.* Vol 81, No 324.
218. Lenin, V.I. (1964). *Collected Works.* Vol 31. Progress Publishers: Moscow.
219. Lenin, V.I. (1970). *Imperialism: The Highest Stage of Capitalism.* Peking: Foreign Languages Press.
220. Lenin, Vladimir. (2010). Imperialism: The Highest Stage of Capitalism. Available from: http://www.marxists.org/archive/lenin/works/1916/imp-hsc/pref02.htm [Online] Last accessed: 31 October 2010.
221. Lerner, Josh. (2006). *Why the World Social Forum Needs to be Less Like Neoliberalism.* Available from: http://www.linesofflight.net/work/wsf_neoliberalism.pdf [Online] Last accessed: 31 October 2010.
222. Lett, Erin and Banister, Judith. (2006). Labor Costs of Manufacturing Employees in China: An Update to 2003-04. *Monthly Labor Review.* November.
223. Lin Biao. *Long Live the Victory of People's War.* Available from: http://www.marxists.org/reference/archive/lin-biao/1965/09/peoples_war/ch07.htm [Online] Last accessed: 31 October 2010.
224. Lindsey, Brink. (2000). Free Trade from the Bottom Up. *CATO Journal.* Vol 19, Iss 3.

225. Lorenzo Bordogna and Gian Primo Cella. (2002). Decline or Transformation? Change in Industrial Conflict and its Challenges. *Transfer.* Vol 4.
226. Lüthje, Boy. (2010). Auto Worker Strikes in China. Available from: http://chriswhiteonline.org/2010/12/auto-worker-strikes-in-china/ [Online] Last accessed: 31 October 2010.
227. Luxemburg, Rosa. (1909). The Problem of Nationality and Autonomy. *Przeglad Sozialdemokratyczny. No 6.*
228. Luxemburg, Rosa. (1961). *The Russian Revolution and Leninism or Marxism.* Ann Arbor: Ann Arbor Paperbacks.
229. Luxemburg, Rosa. (1972). *The Accumulation of Capital – An Anti-Critique.* Monthly Review Press: New York.
230. M2 Presswire. (2004). ICFTU: Congress Delegates Tackle Issue of Merger in Trade Union Movement. *M2 Presswire.* Dec 7.
231. M2 Presswire. (2006). ICFTU: Strength in Unity: A New International Trade Union Federation is Born. *M2 Presswire.* Nov 1.
232. MacShane, Denis. (1990). W.F.T.U. Congress: Statist Unions Wither Away. *The Nation.* Vol 251. Iss 18.
233. Mandel, Ernest. (1975). *Late Capitalism.* London: New Left Books.
234. Mao Zedong. (1937). On Contradiction (August 1937), Selected Works, Vol. I in Frank, Andre Gunder. (1979). *Dependent Accumulation and Underdevelopment.* London: Monthly Review Press.
235. Marcuse, Peter. (2005). Are Social Forums the Future of Social Movements? *International Journal of Urban and Regional Research.* Vol 29 (2).
236. Maritime Union of Australia. (2010). *NZ Wharfies Fight Outsourcing in Auckland.* Available from: http://www.mua.org.au/news/nz-wharfies-fight-outsourcing-in-auckland/ [Online] Last accessed: 31 October 2010.
237. Martins, Antonio, Whitaker, Chico, Haddad, Sergio. (2006). *Letter from Members of the WSF Brazil Organising Committee/International Secretariat to the Organizers of the Bamako Manifesto.* Available from:

http://www.choike.org/documentos/jaiwsf2007/09_reactions.pdf [Online] Last accessed: 31 October 2010.

238. Marx, Karl and Engels, Friedrich. *Poverty of Philosophy.* In, Andrew, Edward. (1983). Class in Itself and Class Against Capital: Karl Marx and his Classifiers. *Canadian Journal of Political Science.* Vol 16, No 3.

239. Marx, Karl and Engels, Friedrich. (1970). *Manifesto of the Communist Party.* Foreign Languages Press: Peking

240. Marx, Karl. (1853). The Future Results of British Rule in India. *New York Daily Tribune.* August 8.

241. Marx, Karl. (1858). Letter to Engels. In, Worsley, Peter. (2002). *Marx and Marxism.* Routledge: London.

242. Marx, Karl. (1969). *Marx/Engels Selected Works: Vol 1.* Progress Publishers: Moscow.

243. Marx, Karl. (1973). *Grundrisse.* Penguin: Hammondsworth.

244. Marx, Karl. (1976). Results of the Immediate Process of Production, published as an appendix in *Capital.* Vol 1. Penguin: Harmondsworth.

245. Marx, Karl. (1977). *Capital: A Critique of Political Economy. Vol 1.* New York: Vintage Books.

246. Masson, Paul. (2001). *Globalization: Facts and Figures.* IMF Policy Discussion Paper 04/01.

247. Maupin, Francis. (2005). Revitalization not Retreat: The Real Potential of the 1998 ILO Declaration for the Universal Protection of Workers' Rights. *European Journal of International Law.* Vol 16, No 3.

248. McKendrick, D; Doner, R.F.; Haggard, S. (2000). *From Silicon Valley to Singapore: Location and Competitive Advantage in the Hard Disk Drive Industry.* Stanford: Stanford University Press

249. McKenzie, Richard. (1987). The Emergence of the Service Economy: Fact or Artifact? *Cato Policy Analysis.* No 93. Available from: http://www.cato.org/pubs/pas/pa093.html [Online] Last accessed: 31 October 2010

250. Meidner, Rudolf. (1989). The Swedish Labour Movement at the Crossroads: Interview with Rudolf Meidner. *Studies in Political Economy.* Vol 28, Spring.
251. Miller, Doug and Grinter, Steve. (2003). International Framework Agreements in the Global Textile, Garment and Footwear Sector. *Managerial Law.* Vol 45, Iss 3.
252. Moody, Kim. (1997). Towards an International Social Movement Unionism. *New Left Review.* Vol 225.
253. Moore, Phoebe and Taylor, Paul. (2009). Exploitation of the Self in Community Based Software Production: Workers' Freedoms or Firm Foundations? *Capital and Class.* Vol 97.
254. Moseley, Layna. (2008). Workers' Rights in Open Economies. Global Production and Domestic Institutions in the Developing World. *Comparative Political Studies.* Vol 41.4/5 .
255. Mtwethwa, Thulani. (2008). *Swazi Monarchy Bans Civil Rights Meeting.* Available from: http://www.openspaceforum.net/twiki/tiki-read_article.php?articleId=678 [Online] Last accessed: 31 October 2010.
256. Munck, Rolando. (2004). Globalisation, Labor and the Polanyi Problem, or the Issue of Counter-Hegemony. *Vol* 45, Iss 3
257. Munck, Rolando. (2010). Globalization, Crisis and Transformation: A View from the South. *Globalizations.* Vol 7, Iss 1.
258. Murphy, Sean. (2005). Taking Multinational Corporate Codes of Conduct to the Next Level. *Columbia Journal of Transnational Law.* Vol 43, Iss 2.
259. Narang, Kamal. (2009). *New Trade Policy to Focus on Labour-Intensive Exports.* Available from: http://www.thehindubusinessline.com/2009/08/11/stories/2009081152171500.htm [Online] Accessed: 25 October 2009.
260. Nash, Bradley. (1998). Globalizing Solidarity: Praxis and the International Labor Movement. *Journal of World Systems Research.* Vol 4, No 1.

261. National Bureau of Statistics of China. (2010). *China Statistical Yearbook 2009.* Available from: http://www.stats.gov.cn/tjsj/ndsj/2009/indexeh.htm [Online] Last accessed: 31 October 2010

262. Nations Statistics Division. (2009). *Detailed Structure and Explanatory Notes: Manufacture of Textiles.* http://unstats.un.org/unsd/cr/registry/regcs.asp?Cl=17&Lg=1&Co=17 [Online] Last accessed: 31 October 2010

263. Negri, A. (1973). 'Partito Operaio Contro il Lavoro', in S. Bologna et al., eds., *Crisi e Organnizzazione Operaia.* Milan: Feltrinelli

264. Ninan, T N. (2005). *Middle Class in India has Arrived.* Available from: http://www.rediff.com/money/2005/jul/02ninan.htm [Online] Last accessed: 31 October 2010.

265. Oanda – Forex Trading and Exchange Rate Services. (2010). *OANDA.* Available from: http://www.oanda.com/ [Online] Last accessed: 31 October 2010.

266. Office of Textiles and Apparel. (2010). Trade Data: US Imports and Exports of Textiles and Apparel. Available from: http://www.otexa.ita.doc.gov/msrpoint.htm [Online] Last accessed: 31 October 2010

267. Ohmae, Kenichi. (1990). The *Borderless World*. Collins: New York.

268. Olin Wright, Erik. (2001). *Foundations of Class Analysis in the Marxist Tradition.* Available from: http://www.ssc.wisc.edu/~wright/Found-c1.PDF [Online] Accessed 7 March 2010.

269. Olin Wright, Erik. (2005). *Approaches to Class Analysis.* Electronic Book Library.

270. Ostrower, Gary B. (1975). The American Decision to Join the International Labor Organization. *Labor History*, Volume 16, Issue 4.

271. Palley, Thomas. (2009). A Labor Perspective on Globalization. *Internationale Politik und Gesellschaft.* Vol 2.

272. Panagariya, Arvind. (2004). Opponents Comments on “Subsidies and Trade Barriers” by Kym Anderson. *Copenhagen Consensus.*

273. Papadakis, Konstantinos. (2008). Research on Transnational Social Dialogue and International Framework Agreements (IFAs). *International Labour Review.* Vol 147, Iss 1.

274. Patomaeki, Heikki and Teivainen, Teivo. (2004). The World Social Forum: An Open Space or a Movement of Movements? *Theory Culture Society.* Vol 21 (6).

275. People’s Parliament. (2007). *Report on the People’s Parliament Alternative Social Forum.* Available from: http://www.peoples-parliament.org/spip.php?article5 [Online] Last accessed: 31 October 2010.

276. Perry, Charles. (1997). Outsourcing and Union Power. *Journal of Labor Research.* Vol 18, Iss 4.

277. Pocha, Jehangir. (2007). One Sun in the Sky: Labor Unions in the People’s Republic of China. *Georgetown Journal of International Affairs;* Winter 2007; 8, 1;

278. Polanyi, Karl. (1957). *The Great Transformation.* Beacon Press: Boston.

279. Polaski, Sandra. (2006). *Winners and Losers: Impact of the Doha Round on Developing Countries.* Carnegie Endowment for National Peace: Washington.

280. Pope Leo XIII. (2010). *Rerum Novarum.* Available from: http://www.vatican.va/holy_father/leo_xiii/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum_en.html [Online] Last accessed: 31 October 2010.

281. Poulantzas, Nicos. (1975). *Classes in Contemporary Capitalism.* London: NLB.

282. Prebisch, Raul. (1950). *The Economic Development of Latin America and Its Principal Problems.* New York: United Nations.

283. Prebisch, Raul. (1961). Joint Responsibilities for Latin American Progress. *Foreign Affairs.* Vol 39.

284. Press, Larry. 1999. A Client-Centered Networking Project in Rural India. *OnTheInternet.* Vol 5, No 2.

285. PriceWaterhouseCoopers. (2007). *Eastern Influx: Automotive Manufacturing in Central and Eastern Europe.* Available from: http://www.globalautoindustry.com/images/PwC_EEC_eastern-influx.pdf [Online] Last accessed: 31 October 2010

286. Produktionsverlagerung? Bekleidungsindustrie mit Zukunft. In, Lane, Christel. (2008). National Capitalisms and Global Production Networks: An Analysis of their Interaction in Two Global Industries. *Socio-Economic Review.* Vol 6.

287. Proudhon, Pierre Joseph. (1840). *What is Property?* Available from: http://www.marxists.org/reference/subject/economics/proudhon/property/index.htm [Online] Last accessed: 31 October 2010.

288. Rahder, Barbara. (1998). International Network for Urban Research and Action Conference on Possible Urban Worlds.

289. Rangasamy, J. (2003). *The Impact of Tariff Liberalisation on the Competitiveness of the South African Manufacturing Sector During the 1990s.* Available from: http://upetd.up.ac.za/thesis/available/etd-07072004-124524/ Chapter 2

290. Ratnam, C S Venkata and Jain, Harish. (2002). Women in Trade Unions in India. *International Journal of Manpower.* Vol 23, Iss 3.

291. Reddy, K Srinivas. (2009). *Maoists to Improve Coordination.* Available from: http://www.hindu.com/2006/09/29/stories/2006092902641400.htm [Online] Last accessed: 31 October 2010.

292. Regini, M. (2000). Between Deregulation and Social Pacts: The Responses of European Economies to Globalization. *Politics and Society.* Vol 28, No1.

293. Reuters. (2008). *ILO Urges Myanmar to Ban Forced Labour.* Available from: http://in.reuters.com/article/idINIndia-33844520080531 [Online] Last accessed: 31 October 2010.

294. Ricardo, D. (1821). Principles of Political Economy and Taxation. London: John Murray.
295. Roberts, Kenneth. (1998). *Deepening Democracy? The Modern Left and Social Movements in Chile and Peru.* Stanford: Stanford University Press.
296. Robinson, William and Harris, Jeremy. (2000). Towards a Global Ruling Class? Globalization and the transnational capitalist class. *Science & Society.* Vol 64, Iss 1.
297. Rongshu, Chen. (2004). *Impacts of Globalization on the Trade Union Movement.* Available from: http://english.acftu.org/template/10002/file.jsp?cid=40&aid=105 [Online] Last accessed: 31 October 2010.
298. Rose, Kalima. (1992). *Where Women are Leaders: The SEWA Movement in India*. New Delhi: Vistaar Publications.
299. Rosen, George. (1985). *Western Economists and Eastern Societies: Agents of Social Change in South Asia, 1950-1970.* Baltimore: John Hopkins University Press.
300. Rosenberg, Tina. (2007). Reverse Foreign Aid. *New York Times Magazine.*
301. Ross, Robert and Chen, Anita. (2002). From North-South to South-South: The True Face of Global Competition. *Foreign Affairs.* Vol 81 September/October.
302. Rostow, W.W. (1960). *The Stages of Economic Growth: A Non-Communist Manifesto*. London: Cambridge University Press.
303. Rothlin, Stephan. (2010). Towards a Socially Responsible China: A Preliminary Investigation of the Implementation of the Global Compact. *Journal of International Business Ethics.* Vol 3, No 1.
304. Rothstein, J. (2005). Economic Development Policymaking Down the Global Commodity Chain: Attracting an Auto Industry to Silao, Mexico. *Social Forces.* Vol 84, Iss 1.

305. Rothstein, R. (1990). Letter to John Hudson at ACTWU. In, Johns, Rebecca. (1998). Bridging the Gap between Class and Space: US Solidarity with Guatemala. *Economic Geography.* Vol 74, Iss 3.

306. Rueschemeyer, Dietrich, Evelyne Huber Stephens, and John D. Stephens. (1992). *Capitalist Development and Democracy*. Chicago: University of Chicago Press.

307. Runckel, Christopher W. (2005). *Thailand Automotive Industry Update: 2005.* Available from: http://www.business-in-asia.com/auto_article2.html [Online] Last accessed: 31 October 2010

308. Sagafi-Nejad, Tagi. (2005). Should Global Rules Have Legal Teeth? Policing (WHO Framework Convention on Tobacco Control) vs. Good Citizenship (UN Global Compact). *International Journal of Business.* Vol 10, Iss 4.

309. Saith, Ashwini. (2005). Reflections: Louis Emmerij. *Development and Change.* Vol 36, Iss 6.

310. Salazar-Xirinachs, Jose. (2000). The Trade-Labor Nexus: Developing Countries' Perspectives. *Journal of International Economic Law.* Vol 3, Iss 2.

311. Sanchez, O. (2003). The Rise and Fall of the Dependency Movement: Does It Inform Underdevelopment Today? *Estudios Interdisciplinarios de America Latina el Caribe.* Vol 14, No2 July-December. Available: http://www.tau.ac.il/eial/XIV_2/sanchez.html [Online] Last accessed: 31 October 2010

312. Sargent, John and Matthews, Linda. (2006). *China vs Mexico in the Global EPZ Industry: Maquiladoras, FDI Quality and Plant Mortality*. Available from: http://ea.panam.edu/cbes/pdf/WorkingPaper1-06.pdf [Online] Last accessed: 31 October 2010

313. Savran, Sungur and Tonak, Ahmet. (1999). Productive and Unproductive Labour: An Attempt at Clarification and Classification. *Capital and Class.* Vol 68.

314. Schmitz, H., Knorringa, P. (2000) Learning from Global Buyers. The Journal of Development Studies, 37(2)

315. Schneider, Freidrich. (2002). *Size and Measurement of the Informal Economy in 110 Countries around the World.* Workshop of Australian National Tax Centre, ANU, Canberra, Australia.

316. Schneiders, Ben, Sharp, Ari and Murphy Katharine. (2009). *Work Heads Offshore as Pacific Brands Axes Jobs.* Available from: http://www.theage.com.au/national/work-heads-offshore-as-pacific-brands-axes-jobs-20090225-8hxk.html [Online] Last accessed: 31 October 2010.

317. Schrank, Andrew. (2004). Ready-to-Wear Development? Foreign Investment, Technology Transfers and Learning by Watching in the Apparel Trade. *Social Forces.* Vol 83, No 1.

318. Schwartz, Herman. (2001). *Round up the Usual Suspects! Globalization, Domestic Politics and Welfare State Change.* Available from: http://people.virginia.edu/~hms2f/round-up.html [Online] Last accessed: 31 October 2010.

319. Segal, Melvin J. (1953). International Trade Union Organizations. *Review of Social Economy*, Vol 11 Iss 2

320. Self Employed Women's Association. (1997). *Annual Report*. Ahmedabad, India: SEWA.

321. Self Employed Women's Association. (1999). *Annual Report*. Ahmedabad, India: SEWA.

322. Self Employed Women's Association. (2006). *SEWA Joins the ICFTU.* Available from: http://www.sewa.org/July_2006.asp Online] Last accessed: 31 October 2010.

323. Self Employed Women's Association. (2009). *About Us.* Available from: http://www.sewa.org/About_Us_History.asp [Online] Last accessed: 31 October 2010.

324. Self Employed Women's Association. (2010). SEWA Elected Vice President of International Trade Union Congress Leads the Movement for Inclusion of Informal Workers. Available from: http://www.sewa.org/Thirteenth_Issue.asp [Online] Last accessed: 31 October 2010.

325. Sen, Jai. (2009). *How Open? The Challenge of Dogma, The Forum as Logo, The Forum as Religion: Scepticism of the Intellect, Optimism of the Will.* Available from: http://www.choike.org/2009/eng/informes/1192.html [Online] Last accessed: 31 October 2010.

326. Sethi, S. Prakash (1994a). *Multinational Corporations and the Impact of Public Advocacy on Corporate Strategy. Nestle and the Infant Formula Controversy,* In, Kell, Georg and Ruggie, John. (1999). Global markets and social legitimacy: the case for the 'Global Compact'. *Transnational Corporations.* Vol 8, No 3.

327. Shaikh, Anwar and Tonak, Ahmet. (1996). *Measuring the Wealth of Nations.* Cambridge University Press: New York

328. Shaikh, Anwar and Tonak, Ahmet. (2007). *Measuring the Wealth of Nations: The Political Economy of National Accounts.* Cambridge University Press: Cambridge.

329. Shaikh, Anwar. (1980). *Towards a Critique of the Keynesian Theory of the State.* In, Savran, Sungur and Tonak, Ahmet. (1999). Productive and Unproductive Labour: An Attempt at Clarification and Classification. *Capital and Class.* Vol 68.

330. Share the World's Resources. (2010). *A Summary of the Brandt Report.* Available from: http://www.stwr.org/special-features/the-brandt-report.html#setting [Online] Last accessed: 31 October 2010.

331. Sharma, A K and Tyagi, Rupal. (2010). CSR and Global Compact: The Indian Perspective. *IUP Journal of Corporate Governance*. Vol 9, Iss 3.

332. Shultz, George. (1985). US Role in the ILO – International Labor Organization – Speech by George Shultz, Transcript. *US Department of State Bulletin.* November.

333. Singer, Hans. (1950). The Distribution of Gains between Investing and Borrowing Countries. *American Economic Review.* Vol 40. No 3.

334. Singer, Hans. (1981). Thirty Years of Changing Thought on Development Problems. In: Mishra, R P and Honjo M. *Changing Perceptions of Development Problems.* Nagoya: Maruzen Asia.

335. Singh, A and Zammit, A. (2000). The Global Labour Standards Controversy: Critical Issues for Developing Countries. Available from: http://info.worldbank.org/etools/docs/library/57497/Standards.pdf [Online] Last accessed: 31 October 2010.

336. Singh, Manmohan. (2005). *Prime Minister's Address to the 40th Indian Labour Conference.* Available from: http://labour.nic.in/lc/40ilc/40ilcpmspeech.doc [Online] Last accessed: 25 October 2009.

337. Smith, Adam. (2009). An Inquiry into the Nature and Causes of the Wealth of Nations. Digireads.com Publishing.

338. Smith, Adrian. (2003). Power Relations, Industrial Clusters, and Regional Transformations: Pan-European Integration and Outward Processing in the Slovak Clothing Industry. *Economic Geography.* Vol 79, Iss 1.

339. Sobczak, A. (2007). Legal Dimensions of International Framework Agreements in the Field of Corporate Social Responsibility. *Relations Industrielles*, Vol. 62, Iss 3.

340. Solivetti, L. (2005). W.W.Rostow and His Contribution to Development Studies: A Note. *The Journal of Development Studies*, Vol.41, No.4.

341. Somavia, Juan. (2003). *Working Out of Poverty.* International Labour Office: Geneva.

342. Somavia, Juan. (2008). *Freedom of Association in Practice: Lessons Learned.* International Labour Office: Geneva.

343. Somavia, Juan. (2009). *Decent Work for All*. Available from: http://www.ilo.org/global/About_the_ILO/Mainpillars/WhatisDecentWork/lang--en/index.htm [Online] Last accessed 31 October 2010

344. Southern Initiative on Globalisation and Trade Union Rights. (2010). *Participants.* Available from: http://www.sigtur.com/index.php?option=com_content&view=section&layout=blog&id=4&Itemid=27 [Online] Last accessed: 31 October 2010.

345. Sparks, C and Greiner, M. (1997). US and Foreign Productivity and Unit Labor Costs. *Monthly Labor Review.* Feb, 120, 2

346. Spencer, David. (2000). The Demise of Radical Political Economics? An Essay on the Evolution of a Theory of Capitalist Production. *Cambridge Journal of Economics.* Vol 24, Iss 5.
347. Standing, Guy. (2008). The ILO: An Agency for Globalization? *Development and Change.* Vol 39, No 3.
348. Stephens, John. (1979). *The Transition from Capitalism to Socialism*. Urbana: University of Illinois Press.
349. Stephens, John. (1989). Democratic Transition and Breakdown in Western Europe, 1870-1939: A Test of the Moore Thesis. *American Journal of Sociology.* Vol 94.
350. Stephens, John. (1995). *The German Path to Modern Authoritarianism: Germany, Britain and Sweden compared*, Pp. 161-81 in H. E. Chehabi and Alfred Stepan, *Politics, Society, and Democracy; Comparative Studies: Essays in Honor of Juan Linz*. Boulder: Westview Press.
351. Stephens, John. and Gerhard Kümmel. (2002). Social Structural Dynamics pp. 39-63 in Dirk Berg-Schlosser and Jeremy Mitchell (eds.), *Crisis, Compromise, Collapse, Volume II, Authoritarianism and Democracy in Europe 1919-39: Comparative Analyses*. Houndmills, Basingstoke: Palgrave.
352. Stevis, Dimitris. (2010). International Framework Agreements and Global Social Dialogue: Parameters and Prospects. International Labour Office: Geneva.
353. Studenski, P. (1958). The Income of Nations. New York University Press: New York.
354. Subasat, T. (2003). What Does the Heckscher-Ohlin Model Contribute to International Trade Theory? A Critical Assessment. *Review of Radical Political Economics.* Spring 2003.
355. Sun, Haishun. (1999). DFI, Foreign Trade and Transfer Pricing. *Journal of Contemporary Asia*, Vol. 29, Issue 3
356. Sunkel O. (1966), The Structural Background of Development Problems in Latin America *Weltwirtschaftliches Archiv*, 97, 1:

357. Surowiecki, James. (2007). India's Skills Famine. *The New Yorker.* Available from: http://www.newyorker.com/talk/financial/2007/04/16/070416ta_talk_surowiecki [Online] Last accessed: 31 October 2010

358. Tavis, Lee. (2003). Novartis and the UN Global Compact Initiative. *Vanderbilt Journal of Transnational Law.* Vol 36.

359. Taylor, Robert. (1999). Unions Aim at Global Shakeup. *Financial Times.* Jun 30.

360. Thaindian News. (2007). December 20th. Available from: http://www.thaindian.com/newsportal/india-news/naxal-extremism-is-single-big-internal-security-challenge-manmohan_1009559.html [Online] Last accessed: 31 October 2010.

361. The Outsourcing Weblog. (2006). *British Unions: No to Outsourcing.* Available from: http://www.outsourcing-weblog.com/50226711/british_unions_no_to_outsourcing.php [Online] Last accessed: 31 October 2010.

362. The Times of India. (2009). *Bhutan on Alert after Maoists Attack.* Available from: http://timesofindia.indiatimes.com/South_Asia/Bhutan_on_alert_after_Maoists_attack/articleshow/3921598.cms [Online] Last accessed: 31 October 2010.

363. The World Bank. (2009). *Country Classification.* Available from: http://go.worldbank.org/K2CKM78CC0 [Online] Last accessed: 31 October 2010

364. Third World Forum. (2010). *Bamako Appeal.* Available from: http://www.forumtiersmonde.net/fren/index.php?option=com_content&view=article&id=89:bamako-appeal-2006&catid=47:wsf-bamako--fsm-bamako&Itemid=104 [Online] Last accessed: 31 October 2010.

365. Tokatli, Nebahat. (2007). Asymmetrical Power Relations and Upgrading among Suppliers of Global Clothing Brands: Hugo Boss in Turkey. *Journal of Economic Geography.* Vol 7.

366. Tompkins, J in Manji, James F. (1990). Does America Lead World in Manufacturing? *Automation;* Aug; 37, 8

367. Torres, Liv and Gunnes, Stein. (2003). *Global Framework Agreements: A New Tool for International Labour.* Available from: http://www.global-labor.org/globalframework.pdf [Online] Last accessed: 31 October 2010.
368. Tosstorff, Reiner. (2005). The International Trade Union Movement and the Founding of the International Labour Organization. *International Review of Social History.* Vol 50, Iss 3.
369. Traub-Merz, Rudolf and Eckl, Juergen. (2007). *International Trade Union Movement: Mergers and Contradictions.* Friedrich Ebert Stiftung: Bonn.
370. Turnell, S. (2001). *Full Employment and Free Trade: An Historical Episode of Australian Intellectual Leadership.* Available from: http://www.econ.mq.edu.au/research/2001/1-2001Turnell.PDF [Online] Accessed: 28 August 2006.
371. UN News Centre. (2007). *Global Unemployment Remains at Historic High Despite Strong Economic Growth – UN.* Available from: http://www.un.org/apps/news/story.asp?NewsID=21335&Cr=unemployment&Cr1 [Online] Last accessed: 31 October 2010
372. UNI Global Union. (2010). *Global Agreements.* Available from: http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090226_ml9xEn [Online] Last accessed: 31 October 2010.
373. United Nations Conference on Trade and Development. (2004). *Development and Globalisation: Facts and Figures.* In, Deva, Surya. (2006). Global Compact: A Critique of the UN's 'Public-Private' Partnership for Promoting Corporate Citizenship. *Syracuse Journal of International Law and Commerce.* Vol 34, Iss 1.
374. United Nations Conference on Trade and Development. (2007). *UNCTAD World Investment Report 2007.* United Nations: New York.
375. United Nations Global Compact. (2009). *UN Global Compact Participants.* Available from: http://unglobalcompact.org/ParticipantsAndStakeholders/index.html [Online] Last accessed: 31 October 2010.

376. United Nations Global Compact. (2010). *Global Compact Logo.* Available from: http://unglobalcompact.org/AboutTheGC/Global_Compact_Logo/index.html [Online] Last accessed: 31 October 2010.
377. United Nations Global Compact. (2010). *Global Framework Agreements.* Available from: http://www.unglobalcompact.org/Issues/Labour/Global_Framework_Agreements.html [Online] Last accessed: 31 October 2010.
378. United Nations Global Compact. (2010). *Integrity Measures.* Available from: http://unglobalcompact.org/AboutTheGC/IntegrityMeasures/index.html [Online] Last accessed: 31 October 2010.
379. United Nations Industrial Development Association. (2006). *Yearbook of Industrial Statistics.* United Nations Industrial Development Association: Vienna.
380. United Nations Industrial Development Organization. (2009). *Industrial Development Report 2009.* Available from: http://www.unido.org/fileadmin/user_media/UNIDO_Header_Site/Issues/IDR_summary.pdf [Online] Last accessed: 31 October 2010. p12
381. United Nations Industrial Development Organization. (2009). *Industrial Statistics.* Available from: http://www.unido.org/doc/3474 [Online] Last accessed: 31 October 2010
382. United Nations Industrial Development Organization. (2009). UNIDO Overview. Available from: http://www.unido.org/doc/3352#coreFunctions [Online] Last accessed: 31 October 2010
383. United Nations Statistics Division. (1993). *The Production Account.* Available from: http://unstats.un.org/unsd/sna1993/tocLev8.asp?L1=6&L2=2 [Online] Last accessed: 31 October 2010
384. United Nations Statistics Division. (2009). *Detailed Structure and Explanatory Notes: Manufacture of motor vehicles, trailers and semi-trailers.* Available from:

http://unstats.un.org/unsd/cr/registry/regcs.asp?Cl=17&Lg=1&Co=34 [Online] Last accessed: 31 October 2010

385. United Nations, Commission of the European Communities, International Monetary Fund, Organisation for Economic Cooperation and Development and World Bank. *System of National Accounts 1993 (SNA 1993)*. Series F, No. 2, Rev. 4 (United Nations publication Sales No. E.94.XVII.4). (para. 16.80-16.83)

386. United Nations, Commission of the European Communities, International Monetary Fund, Organisation for Economic Cooperation and Development and World Bank. System of National Accounts 1993 (SNA 1993). Series F, No. 2, Rev. 4 (United Nations publication Sales No. E.94.XVII.4). (para. 6.4)

387. United Progressive Alliance. (2004). *National Common Minimum Programme of the Government of India.* Available from: http://pmindia.nic.in/cmp.pdf [Online] Last accessed: 31 October 2010

388. Lenin, V.I. Imperialism: *The Highest Stage of Capitalism.* Selected Works, Volume 1

389. Valticos, Nicos. (1996). The ILO: A Retrospective and Future View. *International Labour Review.* Vol 135, Iss 3-4.

390. Van Daele, Jasmien. (2005). Engineering Social Peace: Networks, Ideas and the Founding of the International Labour Organization. *International Review of Social History.* Vol 50, Iss 3.

391. Van Daele, Jasmien. (2009). Industrial States, Policy Preferences and International Networks. Belgium as a Case Study of a Transnational History of the ILO. *Transnational Social Policies. Reformist Networks and the ILO 1900-1980.* Conference 7-9 May 2009, Geneva.

392. Vandaele, John. (2008). International Union Sets Up Chinese Links. *Inter Press Service.* Available from: http://ipsnews.net/news.asp?idnews=40871 [Online] Last accessed: 31 October 2010.

393. Veloso, F. (2000). *The Automotive Supply Chain Organization: Global Trends and Perspectives.* Available from: http://in3.dem.ist.utl.pt/master/00networks/fveloso_2000.pdf [Online] Last accessed: 31 October 2010.

394. Wacker, J and Yang, C and Sheu, C. (2006). Productivity of Production Labor, Non-Production Labor, and Capital: An International Study. *International Journal of Production Economics.* Vol 103, Iss 2.
395. Wallerstein, I. (1974). The Rise and Future Demise of the World Capitalist System. *Comparative Studies in Society and History*, Vol. 16, No.4
396. Wallerstein, Immanuel. (1988). Development: Lodestar or Illusion? *Economic and Political Weekly.* Sept 24,
397. Wang Yu. (2004). Our Way: Building Socialism with Chinese Characteristics. *Political Affairs.* January. And Deng Xiaoping. (1984). *Building Socialism with a Specifically Chinese Character.* Available from: http://english.peopledaily.com.cn/dengxp/vol3/text/c1220.html [Online] Last accessed: 31 October 2010
398. Wang, Jin and Xiao, Weige. (2010). *Study on Corporate Social Responsibility of China's Textile Enterprise.* Available from: http://www.seiofbluemountain.com/upload/product/201008/2010shcyx05a5.pdf [Online] Last accessed: 31 October 2010.
399. Wang, Kan. (2007). A Changing Arena of Industrial Relations in China: What is happening after 1978. *Employee Relations.* Vol 30 (2)
400. Waterman, Peter and Jill Timms. (2004). Trade Union Internationalism and a Global Civil Society in the Making, in: Mary Kaldor, Helmut Anheier and Marlies Glasius (eds.) *Global Civil Society* (2004) p178-202, London: Sage.
401. Waterman, Peter. (1999). *Needed: A New International Labour Movement For (and Against) a Globalised, Networked Capitalism*. Available from: http://www.antenna.nl/~waterman/needed.html [Online] Last accessed: 31 October 2010.
402. Waterman, Peter. (2001). *Re: WFTU exists*. Available from: http://www.hartfordhwp.com/archives/26/047.html [Online] Last accessed: 31 October 2010
403. Waterman, Peter. (2003). *Archaic Left Challenges the World Social Forum.* Available from:

http://www.opendemocracy.net/content/articles/PDF/1576.pdf [Online] Last accessed: 31 October 2010.

404. Waterman, Peter. (2004). Adventures of Emancipatory Labour Strategy as the New Global Movement Challenges International Unionism. *Journal of World Systems Research.* Vol 10, Iss 1.

405. Waterman, Peter. (2005). The Old and the New: Dialectics around the Social Forum Process. *Development.* Vol 48, Iss 2.

406. Waterman, Peter. (2006). *A Global Labour Charter Movement.* Available from: http://www.globallabour.info/en/2007/05/a_global_labour_charter_moveme.html [Online] Last accessed: 31 October 2010.

407. Waterman, Peter. (2006). *The Bamako Appeal: A Post-modern Janus?* Available from: http://www.choike.org/documentos/jaiwsf2007/09_reactions.pdf [Online] Last accessed: 31 October 2010.

408. Waterman, Peter. (2007). *Trade Unions, Labour and the World Social Forum.* Available from: http://www.choike.org/nuevo_eng/informes/5279.html [Online] Last accessed: 31 October 2010.

409. Waterman, Peter. (2008). 'Social Movement Unionism' in Question: Contribution to a Symposium. *Employee Responsibilities and Rights Journal.* Vol 30.

410. Watson, Bruce. (2004). UN Catches BHP Out in Australia. *Common Cause.* Vol 69, Iss 6.

411. Webster, E. (1998). The Rise of Social Movement Unionism: The Two faces of black trade union movements in South Africa. In, Frankel, P, Pines, N, and Swilling, M (eds.). *State, Resistance and Change in South Africa*. London: Croom Helm.

412. Webster, E. (2006). Author Meets Critics Session: Reorganising the Rust Belt: An Inside Study of the American Labour Movement by Steve Lopez, in, Fairbrother, Peter. (2008). Social Movement Unionism or Trade Unions as Social Movements. *Employee Responsibilities and Rights Journal*. Vol 20.

413. Weil, David. (2008). A Strategic Approach to Labour Inspection. *International Labour Review.* Vol 147. Iss 4.
414. Weil, Robert. (1995). Contradictory Class Definitions: Petty Bourgeoisie and the "Classes" of Erik Olin Wright. *Critical Sociology.* Vol 21, Iss 3.
415. Wen Jiabao. (2007). *Our Historical Tasks at the Primary Stage of Socialism and Several Issues Confronting China's Foreign Policy.* Available from: http://www.fmprc.gov.cn/ce/ceno/eng/dtxw/t301338.htm [Online] Last accessed: 26 October 2009.
416. Whitaker, A. (2001). *History and Criticism of the Labour Theory of Value.* Kitchener: Batoche Books. Pp15-16 and Canterbury, E. (2001). *A Brief History of Economics : Artful Approaches to the Dismal Science.* Singapore: World Scientific.
417. Whitaker, Chico. (2004). *The WSF as Open Space.* In, Sen, Jai, Anand, Anita, Escobar, Arturo and Waterman, Peter. (2004). *The World Social Forum: Challenging Empires.* New Delhi: Viveka Foundation.
418. Whitaker, Chico. (2008). *Evaluating from the Inside, with Optimism.* Available from: http://openspaceforum.net/twiki/tiki-read_article.php?articleId=545 [Online] Last accessed: 31 October 2010.
419. Whitaker, Chico. The WSF as Open Space, in Sen, Jai, Anand, Anita, Escobar, Arturo and Waterman, Peter (Eds.). *The World Social Forum: Challenging Empires.* New Delhi: Viveka Foundation.
420. Whitaker, Fransisco. (2004). *World Social Forum: Origins and Aims.* Available from: http://www.forumsocialmundial.org.br/main.php?id_menu=2_1&cd_language=2 [Online] Last accessed: 31 October 2010.
421. Wilke, Peter and Schuetze, Kim. (2008). *Background Paper on International Framework Agreements for a Meeting of the Restructuring Forum Devoted to Transnational Agreements at Company Level.* Available from: http://www.anticipationofchange.eu/fileadmin/anticipation/Logos/Documents/new_set_5509/pres/Wiltke.pdf [Online] Last accessed: 31 October 2010.

422. World Bank. (2010). *Job Creation, Core Labour Standards, and Poverty Reduction. A Proposal by the World Bank to the German Government.* Available from: http://siteresources.worldbank.org/INTLM/Resources/GermanTFProposal.pdf [Online] Last accessed: 31 October 2010.

423. World Confederation of Labour. (2010). *Brief Historical Survey.* Available from: http://www.cmt-wcl.org/cmt/ewcm.nsf/_/ADE7EA5D9CAB04DAC1256E13004F24DF?OpenDocument [Online] Last accessed: 31 October 2010.

424. World Federation of Trade Unions. (1999). *COSATU 10th National Congress: Speech of WFTU General Secretary.* Available from: http://www.wftucentral.org/?p=2832&language=en [Online] Last accessed: 31 October 2010.

425. World Federation of Trade Unions. (2010). *The Founding Congress.* Available from: http://www.wftucentral.org/?page_id=79&language=en [Online] Last accessed: 31 October 2010.

426. World Social Forum. (2002). *What the World Social Forum Is.* Available from: http://www.forumsocialmundial.org.br/main.php?id_menu=19&cd_language=2 [Online] Last accessed: 31 October 2010.

427. World Social Forum. (2002). *World Social Forum: Charter of Principles.* Available from: http://www.forumsocialmundial.org.br/main.php?id_menu=4&cd_language=2 [Online] Last accessed: 31 October 2010.

428. World Social Forum. (2009). *News.* Available from: http://www.forumsocialmundial.org.br/noticias_01.php?cd_news=2518&cd_language=2 [Online] Last accessed: 31 October 2010.

429. World Trade Organization. (2006). *International Trade Statistics.* Geneva: WTO Publications.

430. Wright, Steve. (2002). *Storming Heaven: Class Composition and Struggle in Italian Autonomist Marxism.* London: Pluto Press. http://www.prole.info/texts/automarx.html

431. Wrigley, N. and Lowe, M. (2002). *Reading Retail: A Geographical Perspective on Retailing and Consumption Spaces.* London, Arnold.

432. Xinhua News Agency. (2005). *Indonesia to Focus on Labor-Intensive, Export-Oriented industry. Available from:* http://www.highbeam.com/doc/1P2-15990648.html *[Online] Last accessed: 25 October 2009.*

433. Xinhua News Agency. (2008). *China to Support Labour-Intensive Industries to Create Jobs.* Available from: http://www.chinadaily.com.cn/bizchina/2008-10/27/content_7145083.htm Accessed 25 October 2009. Last accessed: 25 October 2009.

434. Yergin, Daniel and Stanislaw, Joseph. (2002). *Raul Prebisch and Dependencia Theory*. Available from: http://www.pbs.org/wgbh/commandingheights/shared/minitextlo/ess_dependencia.html [Online] Last accessed: 25 October 2009.

435. Zhongguo Wang. (2007). ACFTU*: Labour Dispute Kept High and Preventing Hostile Forces from Entering and Harming, 30 January,* Available from: www.china.com.cn/news/txt/2007-01/30/content_7736389.htm [Online] Last accessed: 31 October 2010.

436. Zinoviev, Gregory. (1942). The Social Roots of Opportunism IV. *New International.*