BOOK REVIEWS-REVUE DES LIVRES

1./LEE, Eddy (Ed.) – *Export-Led Industrialization and Development* (ILO – Asian Employment Programme, Bangkok 1981).

2./ FROBEL, F.; HEINRICHS, J. and KREYE, O. – *The New International Division of Labour* (Cambridge University Press, 1980).

Reviewed by Thandika MKANDAWIRE*

While at international fora debate rages on the need for and modalities of a more equitable international division of labour, capital has been busy restructuring itself globally and imposing a new division of labour. Redeployment of whole industries or parts is taking place, raising the hopes that this may be the way to the industrialization of the periphery and a creation of room in the advanced countries for new industries based on new technologies. A number of countries who have received some of these industries or who produce manufactured goods for the world market – the so-called export-oriented economies – have enjoyed spectacular growth rates under this emerging new international division of labour. Most successful in their new role have been the Asian countries, especially the so-called «Gang of Four» – Taïwan, South Korea, Singapore and Hong Kong. Each of these countries achieved annual growth rates of real GDP of around 9 per cent in the sixties. These rates of growth were sustained and increased in the early seventies (except for Hong Kong). Most of the growth of output was due to expansion in the manufacturing industry. In South Korea, manufacturing output grew at 18 per cent per annum in 1963–72. In Singapore the rate of growth of manufacturing was a spectacular 23.4 per cent between 1966 and 1972.

These high rates of growth have attracted widespread interest among researchers and policy-makers. And in South East Asia, almost every country is trying to replicate the experience. International organizations such as the World Bank are increasingly urging the rest of the underdeveloped world to emulate the «Gang of Four».

Two questions have arisen about the phenomenon of the Asian Newly Industrialized Countries (NICS): (a) What policies have accounted for their admittedly spectacular levels of industrial growth and (b) can these be replicated on a world-wide scale?

The dominant explanation preferred by orthodox economists is that these countries «set their prices right» and followed the dictates of the comparative advantage doctrine. More specifically, their success is attributed to the openess of their economies through removal of tariffs, their openess to foreign investment, their «correctly adjusted» foreign exchange rates and general reliance on «market forces». Countries wishing to replicate the experience of these countries are urged to follow suit by devaluing

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their over-valued currencies, removing protective tariffs for their industries, keeping wages low through scrapping minimum wage laws and food subsidies, creating favourable conditions for foreign investment and adopting an «export-oriented strategy». This strategy is said to sharply differ from the import substitution strategy pursued by most underdeveloped countries.

For Africa, the so-called «Berg Report»* of the World Bank has been the clearest statement of this new orthodoxy. Some African countries are already known to have sent specialists to Asia to study the «miracle» on the spot! One problem has been the accuracy of the tale of success as told by neo-classical economists and the major capitalist institutions. Neo-classical economists have been quick to claim that the experience of the «Gang of Four» proves, once and for all, that following the dictates of neo-classical economics and accepting the division of labour implicit in the comparative advantage doctrine is the answer. Indeed one leading prophet of the new orthodoxy, I.D.M. Little, in a contribution to the ILO book edited by LEE, states:

> «The major lesson is that labour intensive export-oriented policies, which amounted to almost free trade conditions for exporters, were the prime cause of an extremely rapid and labour-intensive industrialization which revolutionized within a decade the lives of more than fifty million people, including the poorest among them». (p.42).

However, reading the two books together, one discovers that the success stories are more intricate than neo-classical dogma would have us believe. Here we can only list a few of the salient features of the export-led industrialization as demonstrated by the countries of Asia and as emerges from the ILO Studies.

The first feature is basically geographical. Two of the members of the successful «Gang of Four» are City States and all the four have easy access to the sea. The two features substantially reduce the relevance of their experience to a large number of African countries which are land-locked and/or are not city-states.

Secondly, the dichotomy-import substitution versus export-led industrialization is a gross simplification. For nearly all the NICs with the possible exception of the City States, an extended period of primary import substitution was a necessary condition for export reorientation. Park and Datta-Chaudhuri clearly establish this for South Korea and Taïwan, both of which have continued to pursue selective protective measures for industries considered likely to achieve comparative advantage in the long-run and to contribute to overall development of the economy. They have, in other words, paid little heed to the IMF-type councel which is based on static allocative efficiency arguments.

Thirdly, the class character of the State and the consensus by the ruling class on industrialization were crucial. Datta-Chaudhuri's paper, contrasting the successful industrialization of South Korea and the dismal failure of Philippines despite attempts at an export-oriented industrialization, clearly brings out the importance of the State and its class character and the cohesiveness of the dominant class.

Fourthly, none of these states has pursued a laissez-faire strategy based entirely on so-called market forces. The role of the state has been strategic and decisive. PARK's observations and remarks on the South Korean experience are so apt that they deserve to be cited at length:

> «One lesson is that the Korean experience hardly provides a model in which the function of a free trade regime or operating close to such a regime assures efficiency in resource allocation and reasonable growth as well. In Korea, the government has assumed a dominant role in carrying out the outward looking strategy. In the absence of the government's strong committment to export promotion and growth, it is difficult to believe that either a comparative advantage in international markets or market forces would have brought about the transition from an agrarian society to a semi-industrialized economy» (p. 115).

Africa's ubiquitous foreign advisers and those who viscerally react to state intervention ought to take note of this. And so should their local acolytes.

Fifthly, except for Singapore, direct foreign investment has played a marginal role. Foreign investment accounted for only 10 per cent of Hong Kong's exports and 15 per cent for South Korea and Taïwan. A national industrial class closely allied to the State has been responsable for much of the export performance.

Sixthly, both Taïwan and South Korea carried out rather radical land distribution programmes at the insistence of the U.S.A. and in response to the radical transformations in mainland China and North Korea. The increasing concentration of land in Africa underwritten by World Bank loans seem to go against the experience of South Korea and Taïwan.

Seventhly, «strong governments» (Little) have been able to introduce fascistic measures aimed at demobilizing organized power of labour and thus keep real wages down and reduce political opposition to government policies favouring capital. It is interesting to note that female labour has borne much of the brunt of these anti-labour laws.

Eightly, there is the international economic environment or what HSIA describes as the «feasibility of international operation» (p. 143). The move towards increased export of manufacture in the 1950's coincided with a dramatic expansion of world trade and relative openness of the markets of the OECD countries. Furthermore, although the exports constituted significant portions of the NICs gross national product, they were only a toterably small fraction of exports of the advanced countries, themselves enjoying rapid rates of growth and high levels of employment.

The nature of the external environment is discussed in the book by FROBEL, HEINRICHS and KREYE which is an in-depth review of the changes in the international division of labour. It is the redeployment or relocation of industries accompanying this process that has created opportunities for export oriented industrialization in some Third World countries by bringing about a world market for labour and real world market for production sites. The authors list the following as prerequisites for such a shift in the international division of labour:

a) a practically inexhaustible reservoir of disposable labour;
b) the division and subdivision of the production process leading to «deskilling» so that most of the fragmented operations can be carried out with minimal levels of skills easily learnt within a very short time; and,
c) the development of techniques of transport and communication which has created the possibility in many cases of the complete or partial production of goods at any site in the world.

I believe one ought to add the global military operation and alliances of the capitalist powers as one factor facilitating such a relocation of industry.

The authors use a case studies approach to buttress their argument. The Case Studies used are industry from Federal Germany. This is not as parochial as it might seem. Germany has been among the first to have a deliberate policy of redeployment and invests enormously in Research and Development. In addition, its industries have been rather dynamic, or at least not as lethargic as those of the U.S.A. or Britain. Measures at further «rationalization» of the industrial process in such a country must, therefore, be suggestive of what other developed countries will have to do to stay alive. The cases discussed in Part I are the textile and garment industries. In the second part, other manufacturing companies which have at least one susidiary producing outside the EEC are studied. Both these cases show that new international division of labour is manifested in the changing world distribution of production facilities leading to structural unemployment in «home countries».

Case Study III is about free industrial zones in 103 countries of Africa, Asia and Latin America. The authors show that such zones have thus far not achieved their stated objectives, namely: reduction in unemployment, training of skilled personnel, access to modern technology and increases in the foreign currency earned by the country concerned.

From this they conclude that redeployment cannot solve the problems of underdeveloped countries. Interestingly enough, LEE notes in his forward on the Asian experiences that despite the rapid rates of export-led industrialization, «nagging doubts remain on whether the type of growth path traversed by these economies represents the most desirable escape route from underdevelopment» (p. 21). The graphic expression of these doubts is the description of these economics as «Sweatshops» churning out cheap labour-intensive products and components within an inequitous international division of labour» (p. 21).

After reading the book, one is left with the nagging feeling that the account of the changes is too neat and that the cases chosen may not be as representative as the authors would wish. Take the case of the textiles and garments industry: Historically this has been a labour intensive industry and the share of underdeveloped countries in world production has steadily increased. Indeed, it is not surprising that such industry was being redeployed. Yet the technological developments that have led to massive «deskilling» may move the textile and garments industry back to the advanced capitalist countries as computer aided manufacturing outcompetes the «sweatshops» of the Third World. Indeed there is growing evidence that roboties and other forms of «high tech» production methods may reverse some of the redeployment.

The case of «free industrial zones» is also not a very convincing one. Although these zones are a dramatic crystallization of the process of redeployment and creation of «world factories», they still constitute a very small fraction of the industrial activities of the Third World and, I dare say, they are not the major suppliers of manufactured goods from the Third World. For all we know, they may merely be a transient phenomenon that could easily be wiped out by the insistence by labour unions in the advanced countries for «social clauses» in all trade agreements or simply by the obsolescence of the products of technology. In addition, a number of processes being allocated in these zones are the prime targets of automation.

Finally, the caveats raised above should not in any way diminish the importance of either of the books reviewed here. Read together, they provide an extremely informative and though-proviking combination. They also suggest the primacy of the «Domestic market» (national or regional) for much of the underdeveloped world.