Asia Monitor Resource Centre

International Capital Mobility, Global Value Chains and the Labour Movement

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SURENDRA PRATAP

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International Capital Mobility, Global Value Chains, and the Labour Movement
by Surendra Pratap
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ASIA MONITOR RESOURCE CENTRE supports and contributes towards the building of a strong, democratic and independent labour movement in Asia, by understanding and responding to the multiple challenges of asserting workers' rights to jobs, decent working conditions, while following a participatory and gender conscious framework.

Flat 7, 9/F, Block A Fuk Keung Industrial Building
66-68 Tong Mi Road Kowloon Hong Kong
Tel: (852) 2332-1346, Fax: (852) 2835-5319
Email: amrc.@amrc.org.hk, Website: www.amrc.org.hk

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Abbreviations

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AGOA	African Growth and Opportunity Act
AICO	ASEAN Industrial Cooperation
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
BEPZA	Bangladesh Export Processing Zone Authority
BIT	Bilateral investment treaties
C/V	Constant capital/Variable capital
CAFTA-DR	Dominican Republic-Central America-United States Free Trade Agreement
CAGR	Compound Annual Growth Rate
CATU	Cambodian Alliance of Trade Unions
CEO	Chief Executive Officer
CUMW	Collective Union of Movement of Workers
DCO	District Commissioning Officer
EEZ	Exclusive Economic Zones
EMS	Electronics Manufacturing Services
EU	European Union
FDI	Foreign direct investment
FTA	Free Trade Agreement
G-7	Group of 7
G-77	Group of 77
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GPC	Global production chains
GSC	Global supply chain

GSP	Generalised System of Preferences
GVC	Global value chains
ICT	Information and communications technology
ILO	International Labour Organization
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
KCTU	Korean Confederation of Trade Unions
KMWU	Korean Metal Workers Union
KTX	Korea Train Express
MDI	Medical devices industry
MFA	Multi Fibre Agreement
MW	Minimum wage
NAFTA	North American Free Trade Agreement
NIEO	New International Economic Order
OBM	Original (Own) Brand Manufacturers
ODM	Original Design Manufacturers
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturers
OPEC	Organization of the Petroleum Exporting Countries
OSH	Occupational Safety and Health
PCT	Parts and Components Trade
PV	Photovoltaic
R&D	Research and development
SAARC	South Asian Association for Regional Cooperation
SEZ	Special Economic Zone
SOEs	State-owned enterprises
TNC	Transnational corporation
TPL	Tariff Preference Levels
U.S.	United States
WTO	World Trade Organization
WWII	Second world war

CHAPTER 1

Introduction

In the last three decades, there has been a sea change in the global political economy and the socio-economic and cultural environment of the society as well as the physical environment. The world of labour has been decisively changed, not for the better, but for the worse. This was accompanied by the downfall of many labour movements as well as social, cultural and political movements. As the socio-political and economic structures that existed up to the late 1970s and early 1980s gradually changed and were then decisively transformed in 1990s, the socio-cultural and political movements of that period were also marginalised and later were largely made irrelevant.

With the restructuring of economies and industries and in this overall anti-labour environment, trade unions were by and large paralysed and their collective bargaining power declined drastically. In some Asian countries, workers had virtually no right to organise and bargain collectively, because on the one hand, the political scene was dominated by authoritarian regimes and on the other hand, the industrial relations scene of each country was often dominated by a single official trade union. These were the painful years for the working class in Asia, as they were facing one of the most powerful aggression of global capital in a situation when they were largely disarmed.

However, in the past 10 years, labour movements have started to re-emerge all over Asia. In some countries, particularly in East and Southeast Asia, the labour movements re-emerged early, largely linked with the upsurge of democratic movements in those countries. In other countries it has taken slightly longer, and in many countries labour is still in the process of re-emerging. On the whole in the 2000s, the labour movement was rejuvenated in East and Southeast Asia, as well as in South Asia, but it is still largely scattered and struggling to take a strategic shape to effectively challenge capital in the new system of global factories. This is the greatest challenge facing the labour movement in Asia.

Organising and collective bargaining were comparatively simple when the industries were largely local, and value chains were concentrated under the same roof or at least in the same country, producing largely for the home markets, and the self-employed sectors belonged to the subsistence economies. With the emergence of the new international division of labour taking shape in global value chains, large scale informalisation of the workforce and the integration of informal sectors in industrial value chains, together with the institutionalisation of international capital mobility and the emergence of other related politico-economic dynamics, the organising and collective bargaining became more difficult and complex. In these new situations, from day one, the labour movements have an inbuilt international dimension, such that whether they know it or not, they affect and are affected by interlinked value chains in their industries which are spread across the continent or around the globe. Moreover, it is impossible to clearly understand the root causes of the major problems that workers are facing without understanding the dynamics of global value chains, and it is almost impossible to build effective strategies of organising and collective bargaining without situating these in the value chain dynamics.

Based on this realisation, this book is written as educational material for labour activists striving tirelessly and with great sacrifice to strengthen the labour movement in Asia.

The second chapter of the book focuses on a conceptual understanding of capital accumulation, financialisation, capital mobility and the global value chains. It attempts to explain the nature of the crisis that global capital faced in the 1970s, and how the new global politico-economic regime was imposed in order to resolve the crisis, and how in turn these developments created a crisis for global labour. It briefly explains the process in which international capital mobility was institutionalised, how the international division of labour was imposed, and how it took the shape of global value chains and the implications of these value chains.

The third chapter provides a brief analysis of the integration of Asia in the global value chains, the emergence of interlinked regional value chain networks and the rise of China as a regional production hub. It attempts to explain the processes in which more and more labour intensive operations were shifted from developed to developing Asian countries. The analysis focuses on three major industries, automobile, electronics and apparel. It attempts to explain how newly industrialised countries were able to move up the value chains and how most of the developing countries are typically positioned at low value-added and highly labour intensive positions in these value chains.

The fourth chapter analyses the impact of international capital mobility and global value chains on workers. It attempts to explain how the global value chains lock most of the industries of developing countries at low value adding positions and their labour at low wage conditions, with little, if any, scope for upward mobility. It analyses how upward mobility in the value chains emerge as a strong tendency in some countries. However, what occurs is not the whole economy moving up the value chain, but only few enterprises. It also provides an analysis of the nature of development with export-led growth models. The developing economies are largely transformed from agrarian to industrial-urban economies in terms of composition of GDP, but without any simultaneous transformation of the workforce structure. The impact of these dynamics of development combined with large-scale dispossessions has led to the emergence of a huge army of reserve labour that is surviving either in various precarious informal sectors or as floating labour. A brief analysis is attempted to explain how the cumulative impact of all these developments results in a drastic decline in the collective bargaining power of labour.

Employing the analysis provided in the previous chapters, the fifth chapter attempts to categorise Asian countries into four major groups on the basis of their position in the value chains and on the basis of specific industrial relations regimes and socio-political dynamics. These are South Asian underdeveloped countries, Southeast Asian underdeveloped countries, erstwhile socialist countries, and comparatively developed countries. It attempts a brief analysis of the politico-economic background of the industrial relations regimes in the various regions and provides a picture of the labour movements emerging in these regions. It highlights the issues of focus of the labour movements in all four groups and highlights the major hot spots of the labour movements.

The sixth chapter sums up the major aspects of capital mobility, the new international division of labour and global value chains, and the major areas of concern for labour, based on analysis provided in the book. It attempts to articulate the major focus areas and issues as a way forward for the Asian labour movement.

CHAPTER 2

Financialisation, International Capital Mobility and the Global Value Chains

I. Capital and the Process of Capital Accumulation

Capital is money that is used to buy a good, the consumption of which brings about an increase in the value of the commodity, realised in selling it for a profit (M - C - M'), i.e., the money value-M used to buy raw materials, machines and hire labour power to engage in production process to produce a new commodity-C with added value and therefore higher money value (M') is realised in selling it. Capital is not just wealth, but wealth that grows through the process of circulation. In order to expand, capital must purchase a commodity (C)-the labour power, and when this labour power is engaged in the labour process, it creates a new commodity (C') containing an additional new value-the surplus value that is produced in the labour process (C - C'). Therefore, wealth becomes capital only in certain historical conditions, such as when the forces of production develop to a level wherein a) the people can produce more than they need to live or in other words, when labour power is able to produce a value that is more than its own value (production of surplus value); b) there is a class of free labourers who can be hired to work; and c) there is a class of people who own the means of production and engage labourers in the process of production to generate surplus value.

Thus, capital can make a profit because the workers can produce more in a day than they need to live, or to put it another way, the value of labour power is less than the value produced by labour. This is surplus value generated during the process of production. Capital's main concern therefore is to maximise the surplus value by: a) maximising absolute surplus value: compelling the workers to work longer than needed to earn the equivalent of their own needs, by extending the length of the working day and reducing the rest time; and b) maximising relative surplus value: compelling workers to work faster to produce more in a day than needed to earn the equivalent of their own needs, by force, by incentives, and by mechanisation. This is also done by such innovations in production processes and techniques that reduce the labour cost by reducing the need for high paid skilled labour and enabling the industrialists to run production by engaging more and more low paid unskilled, flexible and informal labour force; or simply by violations of labour rights and paying wages less than the equivalent of workers' needs.

It is the basic nature of capital that it is continuously engaged in the appropriation of surplus value, which is in turn further invested for the appropriation of additional surplus value. This is called the accumulation of capital. Capital expands only by reinvesting the surplus value that it appropriates. The inherent drive for capital accumulation, taking the form of the relative increases in surplus value, is the key to the immense expansion of capitalism. And once the accumulation of relative surplus value begins, its continuation is forced on the bourgeoisie by the internal pressure of competition among capitalists. Accumulation occurs both through the concentration of capital (the growth of individual capitals through reinvestment of their own surplus value) and through the centralisation of capital in the hands of fewer and fewer capitalists (weaker capitalists who do not survive in competition are driven out of business and expropriated by the stronger).

The process of capital accumulation discussed above is different from that of the primitive accumulation. Primitive accumulation is the accumulation of capital by means other than appropriating surplus value. Primitive accumulation reflects on the historical process that gave birth to the preconditions of a capitalist mode of production by way of unprecedented capital accumulation through land enclosures, usury, slave trade, the looting of national assets by colonial powers, and by way of enforcing the separation of producers from the means of production. However, it does not mean that its importance is only historical; along with capital accumulation proper, primitive accumulation continues to be an important form of capitalist expansion, which is carried on until there are no resources or means of production left in the hands of the people in any part of the globe.

Moreover, primitive accumulation is not a one-way process, rather a process of continuous conflict. While on the one hand, capital continuously divorces people from the means of production, on the other hand, many times the people in their daily life struggles and in broader political struggles are able to win control over certain means of production, and also recreate some means of production, and then capital again attempts to expropriate them. The pace and extent of expropriation of people from the means of production is determined by the balance of power between capital and the working class in time and space. In erstwhile colonial developing countries, due to presence of strong working class movements that emerged as part of anti-colonial struggles and due to weaker national capital, the balance of power was not in favour of capital to the extent of being able to completely expropriate the people from the means of production. This is reflected in the persistence of huge population of self-employed producers in many traditional occupations, large numbers of small economies in various industries and huge amount of means of production and natural resources in control of people and communities. However, globalisation and liberalisation decisively shifted the balance of power in favour of capital. On the one hand, with the integration of national and international capital and establishment of a new global politico-economic regime, capital emerged stronger, and on the other hand, there was an overall downfall in the working class movements. It is in these situations, the process of primitive accumulation, i.e., the expropriation of people from means of production was accelerated in a big way. In almost all Asian developing countries this is reflected in capital's great aggression and plunder of resources and the means of production that were in some way or other in the ownership and control of the people. This plunder has included large-scale acquisition of lands, forests, water resources and mines and the privatisation of public sectors leading to large-scale dispossession and displacement of people.

It is clear from the above accounts that capital accumulation and capitalist expansion is a never-ending process and has no limits. It is also a question of life and death for capital and capitalism.

However, capital accumulation faces a crisis that is created by itself and actually inbuilt in the process of capital accumulation. The expansion of capitalism goes hand in hand with the concentration and centralisation of capital, which creates a double crisis:

1. There is a tendency of falling rate of profits[1] due to the increasing organic composition of capital, i.e., a general rise in the levels of mechanisation and automation and therefore a rise in the proportion of constant capital (invested in machinery, raw materials and infrastructure) versus variable capital (invested in wages). As we know that the surplus value is produced only by labour, and therefore decrease in the proportion of variable capital will in general result in the decrease in the proportion of surplus value in total value of a commodity produced, and therefore the rate of profit on total capital invested will also decrease.
2. With the majority of the population separated from the means of production and living below or just at subsistence level, there is a stagnation or decline in the growth of markets for goods produced, thereby creating a crisis for the realisation of profits. Profits can be recapitalised only when the goods produced are sold.

Let us attempt to explain it in a simpler way. As we discussed earlier, labour power is the only commodity that produces surplus value. The process of production is the labour process, precisely because labour is

1 Falling rate of profit does not mean fall in total profits. Rate of profit is annual rate profit earned on a specific amount of capital, while the profit of a corporation is the total profit earned on its total investment. Total profit of corporations may keep on increasing with increase in their total investments, even if the rate of profit is falling

the only active agent and variable factor in the process. The value of raw materials, machinery and infrastructure simply get added into the new commodity produced, but labour power by way of the labour process actively engages to create the new commodity and adds an additional value to the new commodity. However, the value of labour power is not determined by the value it creates in the labour process, but it is determined by the value that is needed to produce and reproduce the labour power. Therefore the additional value produced by the labour is appropriated by capital as surplus value. Capital will hire a labourer only when the value of the labour power is less than the value it creates in labour process.

Now let us consider that there are so many enterprises at the same technological level, producing the same commodity of the same quality and they are competing with each other to increase their rate of profits and to capture a greater share of the market in order to expand their operations. Any enterprise can gain this advantage if it is able to reduce its costs significantly, then it can increase its profit even by selling the commodities at a price lower than others and by virtue of the low price it may also capture a greater share of the market. Since the cost of raw materials is more or less fixed, the focus is on reducing the labour cost. One way to reduce the comparative labour cost is to exploit labour in a more barbaric manner than others. But this has its limits, because human labour has a limit.

In such situations, this competition takes the form of getting technological advancement over others, in terms of automation that enables capital to get more production per worker. The investment in machinery is a one-time, long-term investment and its cost per day is only nominal. On the other hand, it increases the productivity of workers dramatically. Now, many more pieces or units of goods can be produced with fewer workers,, and the labour cost per product produced is substantially reduced. The enterprise with this technological advantage is able to reap super profits[2] even if it is selling at slightly

2 Super profit means a profit over and above the surplus value embedded in the commodity produced by an industrialist. It happens when market price of the product

lower prices than others. Because this enterprise is able to reduce the cost of its product in comparison to other enterprises in the industry and so the real value of its product is lower that the value of the product produced by others. The market value is determined by the average cost in the industry (general technological level) and so the market price of product is far higher than the value of product produced by this enterprise. Hence this enterprise is able to sell at higher price that the value of its product. In addition, this enterprise is also able to captures a greater share of the market by throwing many enterprises out of business. Only those enterprises that are able to attain the same level of technological advancement can remain in business. Then, the next level of competition starts among them. This competition is an ongoing process and it is in this process that two tendencies appear strongly: a) the market is gradually monopolised by only a few huge enterprises; and b) the organic composition of capital (C/V), i.e., the proportion of capital invested in constant factors-C (machinery-infrastructure-raw materials) versus the capital invested in the variable factor-V (for hiring labour), increases drastically. The resultant impact is reflected in declining rate of profit and increasing the rate of unemployment. These developments lead to three clear trends:

1. With increasing automation, the capacity of production increases dramatically and the markets get flooded with commodities beyond the purchasing and consumption capacities of the society in given geographical boundaries. Moreover, with drastically declining share of capital invested in hiring labour resulting in declining employment growth rates, the purchasing power of society also declines drastically. This creates a crisis of realising the profits,

is more or less same but the industrialists are able to reduce the cost of production. It may happen in two ways: by automation one industrialist is able to reduce the cost of production in comparison to others; OR the cost of production is drastically reduced by automation or forcefully reducing wages or by shifting the production to low cost locations, and on the other hand, markets are monopolised and any great fall in prices is artificially stopped because the surplus value can be captured by enterprises only when the commodities are sold;

2. Increasing organic composition of capital i.e., a declining share of capital invested in hiring labour results in a declining proportion of surplus value in total value of commodities (because the surplus value is produced by labour only). Therefore the rate of profit, on the total capital invested, also decreases;
3. The centralisation and concentration of capital leads to emergence of huge monopolistic corporations exercising an effective monopoly on the markets and thereby stopping the prices to fall with reduction of costs, therefore further limiting the purchasing power of the society adding to the crisis of realisation of profits.

With decreasing labour costs, the cost of production of commodities decrease, and therefore the value of commodities also decrease. The competition among enterprises engaged in production of commodities forces the market prices to fall and finally adjust according to the value of commodities. This is why the rate of profit also records a decline. This dimension shows how technological advancement is to the benefit of society, because on the one hand it reduces human effort in production, increases the availability of commodities by mass production and at the same time reduces the costs and thereby the market prices, so the commodities are made accessible to broader sections of the society. But suppose the decrease in the cost of production does not result in a fall in the market price of the commodities, then the commodities will sell over and above their value and the rate of profit may not record a decline, or the decline may not be that drastic. This happens when the markets are monopolised by few enterprises and they collaborate to not enter in any great price wars and stop the prices to fall with decrease in cost of production. It means the monopoly enterprises will be capturing more surplus value than embedded in their product (by selling over and above the value of their product. But from where will this extra value come? It may certainly come from capturing the surplus value produced elsewhere. Initially, it may amount capturing surplus value produced in other industries, i.e., in certain sectors the products may be selling at lower than their value. But this is never sustainable, because then capital will start moving from low profit destinations to high profit destinations and therefore in a period of time the profits in all industries may be equalised. The exception may be those industries where smaller capital operates and they may not be able to shift in other industries for lack of capital. If enough decent employment opportunities are available, these small economies also disappear and if there are no alternatives, they may largely survive as subsistence economies (rather than profit economies). Therefore the surplus value produced by them may be the source of the additional surplus value captured by the monopolistic corporations in various industries. When monopolies are formed across the industries, then capturing of additional surplus value by monopoly corporations amounts to a lot of wages and earnings of workers as consumers across the society. We see the similar impact in case of artificial inflation of prices created by artificial shortage of commodities. The same are the implications of financialisation of accumulation. It is in this background we can understand the monstrous character of the monopoly corporations that are actually prospering by looting the society as a whole.

But this also has a limit. On the one hand, such an absolute monopoly is generally not possible, and on the other hand, monopoly dynamics also leads to a decrease in the purchasing power of society and the saturation of markets in given geo-political boundaries creates a limit. Therefore, the tendency of falling rate of profit and the crisis of realisation of profits never disappears. Underutilisation of production capacities further contributes to declining rate of profits. This crisis is continuously reflected in the boom-bust cycles of economies. Initially the recoveries after the crisis brought the situations to the previous levels of growth. But it is generally accepted that capitalism entered into a systemic crisis beginning in the 1970s, i.e., at which point the recoveries were never sufficient to bring the economies back to the previous levels of growth. The most serious aspect of the crisis is reflected in the saturation of profitable investment opportunities in developed countries. Global capital's aggressive move to force open the economies of developing nations was directed to resolve this crisis by creating new profitable investment opportunities.

It is generally believed that a growth rate of three percent is the minimum acceptable level at which "healthy" capitalism can continue to operate. A growth rate of less than 3.0 percent is problematic and may lead to a crisis that may take a serious shape with further downfalls. In the 1970s, developed countries entered into a situation wherein maintaining a three percent growth rate meant finding new profitable global investment opportunities for $0.4 trillion. The crisis continued and in the 2000s it meant finding profitable investment opportunities for $1.5 trillion. The average global growth rate from 2000 to 2008 was exactly three percent (Harvey 2010).

The rate of growth of world production has been steadily declining. Comparing the decade of 1970-80 with the following decade 1980-90, the rate of increase in international productive capacity declined from 5.51 percent to 2.27 percent, and it reached 1.09 percent in the next decade 1990-2000. Then during the subprime crisis it actually fell substantially below zero. The figures for the growth of world production per capita are even worse: Production growth per capita declined from 3.76 percent in 1970-80, to 0.69 percent in the next decade to 0.19 percent in 1990-2000. During this last period, plant utilisation never rose above 76 percent. The profit rates of two huge American corporations, General Electric and General Motors, recorded a drastic decline and during a period of forty years fell from 20 percent to 5 percent. Of this 5 percent rate, about 40 percent was the result of speculative activity, rather than by creating surplus value in production.

With the declining rate of profit in production, a larger portion of capital started moving towards financialisation and speculation. In the global economy, the proportion of speculative capital was 15 percent between 1950 and 1980, and it rose to 25 percent between 1980 and 2003. The average rate of profit of the US economy from 1955-2000 declined by more than 30 percent and in the period 2002-2005 it fell by more than 35 percent. However, breaking down that 50-year period into smaller cycles, we see that between 1954 and 1979 the rate of profit fell by more than 50 percent. Then, in the period 1985-97, there was an extraordinary recovery of around 20 percent. Finally, in the years 1997-2002, there was a fall of 21 percent from the peak of 1997, a fall which carried on until 2007. It is also important to note that the revival in the profit rate, or rather a slowing of its decline in the U.S. in the 1987-97 period was achieved only by some extraordinary measures, primarily by: a) absolute success of U.S. pressure at the historic Plaza Summit (1985) in forcing its two major trade and financial rivals Germany and Japan to revalue their currencies, thus giving the U.S. economy a competitive edge in commodity prices and therefore on its current account balance; b) a decline in real wages, achieved politically by weakening the working class and by the infamous call for sacrifices; and c) the export of financial capital and the shift to globalised production (Damen 2009).

It is worth mentioning that in a period when due to the high organic composition of capital, developed countries were facing a profitability crisis, developing countries were facing a crisis of underdevelopment and their industries were typically locked in a situation of very low organic composition of capital. Therefore, they were seen as new attractive destinations for profitable investments with immense scope for capitalist expansion. The prospect of opening of developing economies and their emergence as global factories promised super profits for global capital by way of primitive accumulation as well as by reducing the cost of production significantly. Moreover, they also promised a significant market for global capital.

How does the new international division of labour offer opportunities for reaping higher rate of profits?

This is fact of life of twenty first century that the global market of commodities are monopolised by a limited number of transnational monopoly corporations and they have formed broader alliances for not entering in any great price wars. Moreover, by virtue of international division of labour shaped in global value chains they have also increasingly monopolised the industries restricting the entry of any great competitors. By virtue of their financial power and control and monopoly on crucial technologies they exercise an effective control on whole value chains. The production is largely outsourced and carried out in typical conditions of low organic composition of capital by engaging low wage labour in developing countries. Therefore on the one hand, the cost of production and thereby the value of commodities produced is significantly decreased and on the other hand, the proportion of surplus value in total value of commodities is significantly increased. Due to low organic composition of labour, the proportion of capital invested in hiring labour increases compared to that in developed countries, and therefore a higher proportion of surplus value is created. Therefore the rate of profit also records an increase. Moreover, this arrangement offers a super profit to the TNCs, i.e., over and above this normal rate of profit, in two ways: a) very high value of technology intensive operations and crucial components produced by TNCs are largely due to monopolistic position of TNCs at top of the value chain and are not the real values, and therefore exceptionally high values that they capture from global value chains amounts looting of surplus value created in developing countries; and b) even when the cost of commodities decrease significantly, there is no corresponding decrease in prices of commodities due to monopoly of TNCs on markets.

It is also worth mentioning that the expansion of global value chains decreased the cost of production not only in comparison to that of developed countries but also in comparison to what it was in developing countries. In the initial phase of liberalisation, the wages of formal workers were as high as 10 times (or even more) that of informal workers. In many sectors, the same situation prevails. Looking at the large scale informalisation of workforce in almost all Asian developing countries, one can understand its real impact in terms of reduction of cost of production.

The gap between the values and prices of commodities is so huge that the decrease in prices of commodities offered to developed country workers to justify the shifting of industries and to pacify the discontent on issues such as growing unemployment amounts an insignificant sacrifice from the super profits that TNCs are earning.

II. Financialisation

Financialisation is a shift in the gravity of economic activity from production to finance. The financialisation of capital accumulation simply means investing money to accumulate more money without producing any equivalent value in the society, i.e., the circuit of capital takes the shape of M-M', rather than M-C-M'. Therefore the financialisation of accumulation amounts to loot value from the people and society by use of monopoly on finances. As David Harvey states, "The wave of financialisation that occurred after the 1970s has been spectacular for its predatory style" and "The credit system has now become…the major modern lever for the extraction of wealth by finance capital from the rest of the population." (Harvey 2010)

In the period beginning with the recession of 1974-75, we observe the following three predominant worldwide trends: (1) slowing of the overall rate of economic growth, (2) worldwide proliferation of monopolistic corporations, and (3) financialisation of capital accumulation process.

All the above three trends are interrelated. The long-term stagnation in growth that started in the 1970s was the major factor leading to the financialisation of capital accumulation. The most important factor behind this stagnation was the alarming inequality of income and wealth created in the process of capital accumulation, which limited consumption demand at the lower income levels of the economy. Moreover, capital accumulation goes hand in hand with the concentration and centralisation of capital, resulting in monopolisation. Monopolisation tends to swell the profits of these large corporations, while reducing the demand for additional investments in a situation of increasingly controlled markets and weakening consumption growth. This is particularly because monopoly corporations avoid overproduction and price reductions. These situations create barriers that limit profitable investment opportunities. Other factors at work in this economic environment include the saturation of economies with no greater new investment opportunities.

In these situations, with immense surpluses on the one hand and a dearth of profitable investment opportunities on the other, from the 1970s onwards, the owners of capital increasingly moved towards investing in financial products to maintain and expand their money capital. At the same time, financial institutions also stepped forward with a vast array of new financial instruments, including futures, options, derivatives, and hedge funds, etc. The result has been a skyrocketing of financial speculation. This trend has never been reversed and emerged as an important feature of capitalism.

Paul Sweezy explained it very clearly:

> "In the old days finance was treated as a modest helper of production. It tended to take on a life of its own and generate speculative excesses in the late stages of business cycle expansions. As a rule these episodes were of brief duration and had no lasting effects on the structure and functioning of the economy. In contrast, what has happened in recent years is the growth of a relatively independent financial sector, not in a period of overheating but on the contrary in a period of high-level stagnation (high-level because of the support provided to the economy by the militarily-oriented public sector) in which private industry is profitable but lacks incentives to expand, hence stagnation of private real investment. But since corporations and their shareholders are doing well and, as always, are eager to expand their capital, they pour money into the financial markets, which respond by expanding their capacity to handle these growing sums and offering attractive new kinds of financial instruments. Such a process began in the 1970s and really took off in the 1980s. By the end of the decade, the old structure of the economy, consisting of a production system served by a modest financial adjunct, had given way to a new structure in which a greatly expanded financial sector had achieved a high degree of independence and sat on top of the underlying production system. That, in essence, is what we have now." (Sweezy 1995 as quoted in Foster 2008)

These situations have led to the emergence of a new phase of global monopoly-finance capital wherein the world economy is increasingly dominated by a small number of monopolistic multinational corporations headquartered in developed countries. We can see, for example, the world automobile industry is coalescing into six or eight companies-two U.S. car makers, two Japanese and a few European firms are among the likely survivors. The world's top semiconductor makers number barely a dozen. Four companies essentially supply all of the world's recorded music. Ten companies dominate the world's pharmaceuticals industry. In the global soft drink business, just three companies matter. Just two names run the world market for commercial aviation, Boeing Co. and Airbus Industries. This is also reflected in the fact that global mergers and acquisitions have increased at alarming rates and in 2007, reached an all-time high of $4.38 trillion, and foreign direct investment (FDI) stock grew from 7.0 percent of world GDP in 1980 to around 30 percent in 2009. The revenues of the top 500 global corporations are now in the range of 35-40 percent of world income. The monopoly corporations' control on the global economy is further increased by strategic alliances among them. For example, the world's major airlines have coalesced into a handful of mega-alliances, such as the Star Alliance, led by United Airlines of U.S. and including important airlines of the United States, Canada, United Kingdom, Germany, Belgium, Switzerland, Austria, Spain, Portugal, Poland, Croatia, Slovenia, Scandinavia, Finland, Greece, Turkey, Egypt, Thailand, Singapore, Brazil, New Zealand, South Africa, Japan, Korea and China (Foster et al 2011).

The growth of this international monopoly-finance capital further aggravated the problems of stagnation and actually also emerged as one of the factors behind the spread of this stagnation across much of the globe. Once established, monopoly capital intensified the financialisation of capital accumulation across the globe to alarming levels, as the huge monopoly corporations, unable to find sufficient investment outlets for their enormous economic surpluses within their production networks, increasingly turned to speculation in global financial markets. It became a globalisation of financial crises that decade after decade emerged more frequently and in more severe forms.

The boom-bust cycles driven by capital inflows and consequent abrupt outflows, combined with dangerous fluctuations in exchange rates and the interplay between domestic, IMF and G7 policies have been the most important factors/causes behind economic instability in many countries. The debt crisis that affected almost all Latin American countries was the first global financial crisis of the neoliberal era, and it was closely linked with the boom-bust cycles of capital inflows-outflows. It originally occurred in Mexico in 1982, but by October 1983, 27 countries had been caught up in it. In 1994, the crisis reappeared in Mexico. In July 1997, the East Asian crisis broke out and affected Indonesia, Malaysia, South Korea and Thailand. In August 1998, it was Russia's turn to devalue and default, and in 2001 Argentina entered the list. These episodes continued in this or that form and affected more and more countries with increasing severity (Ioannou 2012).

With monopolistic corporations gaining greater control over the global economy, nation states are increasingly subjected to the whims of these corporations and have restructured and revised regulatory systems to remove all barriers for capital accumulation. It is interesting to see the role of the states during the crises. In most countries, the states' actions clearly reflected the attitude that the well-being of the people can be sacrificed, but the corporations were considered too big to fail. Their strategies in fighting these financial crises included hammering the general public, cutting back on social services, and increasing taxes on people, while providing lucrative bail-out packages to corporations who were actually responsible for creating the crises.

To sum up, the financialisation of capital accumulation has been the main aspect of global economic growth since the 1970s, reflected in the rapid growth of financial profits as a percent of total profits since the 1970s. Stagnation and enormous financial speculation emerged as symbiotic aspects of the same deep-rooted crisis. The financial superstructure of the capitalist economy can never expand entirely independently of its base in the productive economy, and therefore the bursting of speculative bubbles is a recurrent problem. Financialisation, no matter how far it has been extended, can never overcome the stagnation in production.

Within capitalism, to some extent this crisis can be resolved and delayed and its severity can be reduced by greatly expanding state spending directly benefitting the population and creating a system facilitating distribution and redistribution of income and wealth (e.g. raising taxes on corporates and increasing the level of social security benefits), along with putting strict limits on financialisation and systematically controlling the dangerous movements of capital. However, these pro-people strategies almost disappeared from the agenda of the capitalist states. The strategy adopted by global capital to resolve this crisis is neoliberalism, i.e., enforcing free trade and free flow of capital across the globe, creating a new international division of labour, and providing immense opportunities for global finance capital to accumulate the surpluses generated across the globe, particularly in developing countries. This strategy is actually seeking to shift the crisis elsewhere rather than resolve it. Whatever means are chosen, this strategy can only delay and decrease the intensity of the crisis in developed countries by shifting it to developing countries.

The financialisation of capital and neoliberalism are on the whole anti-labour. The International Labour Organisation (ILO) noted that financial globalisation has had a distinctly negative impact on labour's share of income in both developed and developing economies. Additionally, in the case of developing countries with weak domestic financial systems, capital account openness has led to an export of wealth towards rich countries, rather than the other way around (Ioannou 2012).

The disastrous impact of neoliberalism on labour can be observed in the decline of labour's share in national income in almost every country in the world. Throughout the whole of the neoliberal era, we have observed a crisis of stagnation in wages particularly due to no increase (or sometimes reduction) in real wages, rise in prices of essential commodities, increasing focus on use of labour saving technologies and intensifying the competition among labour for jobs, implementing anti-labour policies and forcefully reducing the collective bargaining power of labour in overall terms.

On the other hand, specific aspects of financialisation also have serious negative impacts on labour. Capital account and trade openness have in general brought about a deterioration in labour's share of income. One of the important factors behind this is international capital mobility that drastically increases the bargaining power of capital against labour. As a result, workers must always face higher degrees of volatility in terms of earnings and working hours whenever labour demand or labour productivity shock occurs. It is also well documented that currency depreciations and economic recessions have had a clear and lasting negative effect on manufacturing wages in almost all countries. Financial crises are in general negatively linked with labour's share of income. In the aftermath of a crisis, labour's share of income usually declines sharply and recovers only partially during subsequent years. It is also argued that these distributional changes at the expense of labour appear to be systematically used by the states in their strategies for the resolution of financial crises, i.e., the whole load of the crisis is actually thrown on the head of labour (Ioannou 2012).

Financialisation not only affects the present circumstances of workers but also their future. For example, in many countries, governments are financialising the pension funds of workers. Pension funds are increasingly invested in financial markets and pension earnings of workers are thus linked with the boom and busts in these markets.

There is another important impact of financialisation. Productive capital by its nature remains in very close proximity to the factors of production. Human labour and natural resources are used as raw materials in production, therefore the productive capital directly affects these factors and in turn is affected by them, and hence it is compelled, and there is more space to compel it, to develop some concern for protection of these factors of production. But finance capital, having no direct link with these factors, considers them as non-market, non-value aspects and therefore never show any interest in protecting them.

Most importantly, financialisation of capital is institutionalised by way of creating supranational entities, such as the WTO, World Bank, IMF and OECD etc, with rights to enact and enforce international regulations and with powers to punish the states which violate these international regulations.

III. International Capital Mobility

As we stated earlier, capital exists as capital in a continuous process of capital accumulation and expansion, and there is no limit and no end to this process. In other words, the continuous process of capital accumulation and expansion is a matter of life and death for capital. Any long-term barrier or obstruction to the mobility of capital creates a crisis for capital accumulation and actually threatens its existence. Therefore, the free movement of capital is the necessary foundation for the existence of transnational capital, both productive and financial capital, and therefore it is also the central aspect of the neoliberal political project.

International capital mobility is also closely linked with the financialisation of capital accumulation. By nature, finance capital means liquidity and hence for its expansion it demands the highest level of flexibility and freedom of movement; while productive capital means capital invested in a particular input-output combination for profit maximisation and hence many times it demands protectionism, rigidity, and a narrowing down or elimination of options. The money/finance capital has a more general perspective on markets, a more universal class outlook and is always interested in opening and deregulating markets, including the reduction of barriers to trade and investment. In other words, if the business is simply buying and selling money, then naturally the demand will be for highest degree of flexibility and freedom of movement for money (Rowe 2005).

In this regard, we generally observe that until the first half of the 20th century, the capital accumulation process continued to be focused on *productive* capital, wherein finance capital played a greater role as a partner of productive capital. There were, of course, commercial bankers, stock brokers, and bond dealers who operated mainly in a financial world and profited by speculating, but for the most part finance capital was still subordinate to production. Moreover, until this period, generally the goods and services of one country were produced within that country by domestic enterprises and chiefly for domestic consumption. In these situations the state was willing and able to exercise control over the mobility of capital. But things started changing particularly after the great depression and the Second World War. Particularly in the 1970s, we observe a dominant tendency of financialisation of capital accumulation, and an underutilisation of production capacities due to the saturation of domestic markets and the trend of a greater proportion of production for export (Sweezy 1994).

It is against this background that removing geographical barriers to capital mobility becomes a life and death issue for transnational capital.

With capital thus becoming footloose, it required unrestricted freedom of movement to set up shop wherever it desired, and demanding a set of implicit and explicit transnational rights (Lipschutz & Rowe 2005).

However, it is to be noted that international capital mobility is not a new phenomenon. If we look at the issue of capital mobility historically, we find three phases:

1. In the 19th century in the period before the First World War, there were very weak restrictions on capital mobility. Most importantly, this was a period of both capital and labour mobility. There were also very weak restrictions on labour mobility, and it was reflected in the migration of almost one-third of the population of Europe to America, the migration of large numbers of South Asians to Africa, Southeast Asia, and the Caribbean, the migration of large numbers of Chinese to Southeast Asia and to the west coast of America and so on. The gold standard was in force, so this really was a globalised world, with weak national borders. However, this was not a globalised world of nation states, rather it was a globalised world of empires; there were actually very few sovereign states, and the rest were the colonies of the empires.
2. The short period from the First World War up to the 1980s was a phase with capitalism in individual, independent countries, with strong restrictions on both capital and labour mobility and weak linkages of trade and capital movements. Actually, this was a

phase when nation states took on classic forms of territorial states, exercising strict controls over their national economies and making a distinction between the welfare of their own citizens and the welfare of others.

3. The latest phase can be said to have started from the 1990s when we returned to a new phase of the globalised world, not in a circular motion but in a spiral motion and therefore reaching at a higher level, with a globalised world of sovereign states rather than empires, and revolutionary developments in aviation and information technology that have transformed the whole globe into a single integrated economy for all practical purposes. One major difference between the 19th century globalisation and the current phase of globalisation is that the earlier phase allowed a combination of capital and labour mobility, while in the current phase capital is free to move but labour mobility is highly restricted and fully regulated.

It is to be understood that this new globalised world did not develop in a smooth process. It took a long period involving the settling of conflicts of various politico-economic interests and the institutionalising of globalisation via the supranational entities, such as the WTO. We can understand the contradictions of the current globalised world by looking at these conflicting interests and the way these contradictions were settled through suppression and accommodation.

In the 1970s, developing countries, organised in the Group of 77[3], pursued an agenda for a 'New International Economic Order' with more democratic space for developing countries in international politics and economics. The developing countries imposed regulations on foreign capital and in collaboration with their domestic labour movements

3 G- 77 founded on June 15, 1964, by the Joint Declaration of the Seventy-Seven developing Countries issued at the United Nations Conference on Trade and Development (UNCTAD) at the United Nations, is a loose coalition of developing nations, designed to promote its members' collective economic interests and create an enhanced joint negotiating capacity in the United Nations. Currently G-77 has 133 member countries, and Bolivia holds the Chairmanship for 2014

also sought international regulations on transnational corporations (TNCs). This struggle surfaced at different platforms of the United Nations. During the same period many developing countries passed legislation controlling TNCs' activities, and the nationalisation of foreign corporations reached a peak in the first half of the 1970s. The strength of this movement was reflected in the 1974 declaration of UN General Assembly proposing the establishment of a New International Economic Order (NIEO), and the setting up of a UN Commission on Transnational Corporations, entrusted with the tasks of monitoring and providing reports on TNC activities and strengthening the capacity of developing countries to deal with them. Such a proposal was a great threat to transnational capital in that it sought to develop a mechanism to limit and restrict TNC activities in a big way (Rowe 2005).

However, the OPEC-orchestrated oil crisis of 1973 virtually crushed the bones of the G-77. Whatever resistance to TNC activity remained was further crushed in the global recession of 1980–82, since during that period the U.S. and Europe suffered record-high interest rates, which caused resource prices to collapse and threw developing countries into a debt trap. Thereafter, the IMF-World Bank were able to effectively 'discipline' the third world countries with their structural adjustment programs, compel them to drop the agenda of NIEO and fall back in line with corporate-led globalisation. The Uruguay round of GATT started in 1986 and led to the creation of the WTO in 1995, a path breaking step in institutionalising corporate-led globalisation.

The aspect of accommodation in this process is reflected in the structure of the WTO, which is by no means a democratic organisation, but at least on paper, it is more democratic than the IMF or World Bank in the sense that voting rights in WTO are not unequally distributed. Moreover, even if the developing economies were underdeveloped, a number of monopolistic corporations emerged in most of these countries, which favoured the liberalisation policies to expand their own economic operations beyond national borders. On the other hand, the domestic labour and the people's movements in developing countries were strongly against globalisation and liberalisation. However, a strategy of naked repression combined with political accommodation resulted in the downfall of the movements. It is interesting to see how the whole discourse against corporate-led globalisation gradually changed and how a consensus emerged among almost all dominant parliamentary parties in Asian countries in favour of policies of liberalisation and globalisation. The resultant impact was reflected in a weakening of the labour movements.

The labour and people's movements in developed countries also opposed the policies of globalisation out of the fear that free trade and capital mobility might wipe out the industries in these countries and create a serious problem of unemployment. The pressure from the labour and people's movements was one of the important factors behind the collapse of the Seattle meeting of the WTO. But finally, pressure from the huge multinational corporations in these countries proved stronger. Moreover, for governments in developed countries there were many other challenges compelling them to accept free trade and international mobility of capital. For example, with people living longer after their retirements, a crisis in the welfare state occurred, and with stagnation at home, the search for profitable investment opportunities for pension funds emerged as a compelling need. Gradually a consensus was formed that developed countries must invest more in research and development (R&D), develop the skill levels of their labour force and focus on high-end, or high-tech industries, because low tech industries may not survive in competition with developing countries. This was reflected in Tony Blair's 1997 election campaign slogan "Education, education, and education". Many social democratic parties and trade unions with a major membership base among unskilled workers were strongly opposed to these policies, but gradually they were weakened, marginalised or even wiped out, mainly because the low-skills based industries soon disappeared and with their demise their membership base was also eliminated. For example, in the UK throughout the 1980s, the coal mining and steel industries were more or less abandoned (Desai 2001).

With these dynamics, transnational capital was able to successfully institutionalise international capital mobility and free trade. The World Trade Organisation (WTO) constitutionalises the free movement of capital in certain forms, and the process is likely to go beyond this. The WTO's General Agreement on Trade in Services (GATS) already contains some restrictions on capital controls, but this applies only to those countries that have committed to liberalise their certain financial services. These countries are compelled to liberalise cross-border trade in financial services and therefore open the capital account. They may invoke some exceptions provided in the GATS, but it is extremely difficult to meet the conditions to use these exceptions. If these countries restrict capital flows, they potentially face arbitration at an international dispute panel.

Outside of the WTO, there are two other types of instruments that constitutionalise the free movement of capital. These are firstly bilateral investment treaties (BITs) and free trade agreements (FTAs) with the major industrialised countries, and secondly regional economic integrations. These agreements strongly limit the right of the countries involved to use capital controls, even temporary controls in extraordinary situations. In some cases even taxes on inflows or outflows could be interpreted as a violation of the agreement. In the case of a violation of the terms of the treaties, the countries involved potentially face lawsuits in supranational tribunals.

At the regional level the European Union has institutionalised the free movement of capital in the Lisbon Treaty, which not only limits the use of capital controls within the European Union, but with countries outside the EU as well. The North American Free Trade Agreement (NAFTA) also strongly restricts the use of capital controls in the region. The ASEAN Economic Community is also institutionalising the free movement of capital in the region. ASEAN declares that the capital of the member countries will be treated as national capital for all practical purposes in all member countries. Member states of the Organisation for Economic Cooperation and Development (OECD) are subject to the OECD Code of Liberalisation on Capital Movements.

The most important attempt to constitutionalise the free movement of capital at the global level comes from the International Monetary Fund (IMF). Before the 1960s, the IMF opposed international capital mobility and argued that members may exercise such controls as necessary to regulate international capital movements, and that members may not use the Fund's resources to meet a large or sustained outflow of capital. But after the 1960s, the IMF became a fervent proponent of capital account liberalisation. Then in the 1980s, the IMF was restructured and recruitments and promotions brought a new cadre to senior positions to forcefully pursue its new goals (Dierckx 2012).

At the Hong Kong meeting in September 1997, the Interim Committee of the IMF adopted a statement with proposals to revise Article I of its charter to include the promotion of the orderly liberalisation of capital accounts as one of the main purposes of the Fund and give the Fund jurisdiction over the capital account of its members. However, the Asian crisis threw a spanner into the plans for the institutionalisation of the free movement of capital, and by 1999, the proposal was taken off the agenda due to resistance from developing countries. But the Fund has continued to work on capital account liberalisation.

The global financial crisis, begun in 2008, led to new regulations and controls, because emerging markets and developing countries were again hit by the volatility of capital flows. In March 2011, the IMF proposed a new framework to manage surges of capital inflows, believing full capital mobility to be advantageous to the world economy as a whole and to countries that receive capital inflows in particular. It was argued that inflow surges can carry considerable risks, but this does mean that capital controls are the right answer and that the costs of capital controls are very high. It is interesting to note that in the same year Nicolas Sarkozy proposed the G-20[4] develop a code of conduct to define the conditions under which restrictions on capital movements are legitimate, effective and appropriate, and a broadening of the IMF's role in the surveillance of international capital transactions. Such

4 G-20 formed in 1990 as a platform for cooperation and consultation on matters pertaining to the international financial system, is a forum for the governments and central bank governors from 20 major economies accounting around 85 percent of world GDP and 80 percent of world trade, including Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russian Federation, Saudi Arabia, South Africa, Turkey, United Kingdom, United States and the European Union (EU).

statements were repeated many times by officials of advanced countries. In the same year, Nicolas Ayzaguirre, director of the IMF's Western Hemisphere Department, declared that the IMF has the mandate to preserve the stability of the international monetary system, and that the Fund could use this mandate to suppress the proliferation of capital controls. All this establishes that even without legal backing, the IMF forcefully constitutionalises international capital mobility.

However, opposition from the governments of developing countries against limiting the use of capital controls continues. The statement of Brazil's finance minister Guido Mantega at the IMFC (International Monetary and Financial Committee) meeting on 16 April 2011, very clearly raises the major concerns:

> "We oppose any guidelines, frameworks or 'codes of conduct' that attempt to constrain, directly or indirectly, policy responses of countries facing surges in volatile capital inflows. Governments must have the flexibility and discretion to adopt policies that they consider appropriate, including macroeconomic, prudential measures and capital controls."

However, this resistance from developing countries has in no way been able to reverse the wheels of the IMF juggernaut. This is mainly because the real political struggle on this issue is to democratise, socialise and politically control capital. However, most developing country governments have actually no concern for this, and at the most they only want a certain degree of control on western transnational capital. In reality, it seems that they all agree on the final goal of full international capital mobility, but they want to move slowly and liberalise their capital accounts gradually (Dierckx 2012).

Without the institutionalisation of international capital mobility, there was the possibility of a country withdrawing from international capital markets and reinstating substantial control over cross-border capital movements, particularly when people were able to change the regimes and by a democratic process were able to elect a regime that opposed the WTO and international capital mobility. However, with capital mobility constitutionalised, the nation states, particularly in developing countries, have been increasingly disempowered to legislate and regulate nationally. This has given rise to a situation, wherein, the democracy actually becomes a paper democracy: The people can elect their governments, but these governments follow the dictates of supranational entities, rather than respecting the mandate of the people. Even if the people were able to change the regimes and bring in pro-people regimes, it is not easy to change the above situations and discard the international agreements signed by previous governments. Such attempts would invite various punishments from the IMF and WTO and economic sanctions from developed countries. These situations have created autocratic states, brutally repressing the labour and people's movements and at the same time engendering their radicalisation.

The impact of international capital mobility on labour is the most serious and long lasting. In developed countries, blue-collar workers who are made redundant in their middle age, are not considered re-trainable for high skilled jobs and therefore face a situation where their world is lost forever and their lives are destroyed. Even if they wish to, these unskilled workers cannot get blue collar jobs in developing countries, because a huge reserve of such workers is already competing for those jobs there. The capital in developed countries wants quickly trainable or skilled labour, and this requirement is fulfilled by engaging thousands of skilled workers from developing countries on very low wages. The problem of aging populations in developed countries also creates a demand for a significant number of unskilled workers from developed countries, particularly for various kinds of services, because the developed country workers in general may not like to work in such low paid and low grade jobs.

But in the current phase of globalisation, labour mobility is strictly controlled and regulated. The large number of developing country workers, who travel to take such jobs in developed countries, face many serious problems and usually pay large sums of money as bribes to obtain a position. They also often migrate illegally. The gap between developed and developing country wages is so great that many times workers are willing to take such high risks as, for example, tying themselves to the bottom of planes for 3,000 miles in order to take up a low paid, low grade job (Desai 2001). To take up a job as a domestic maid in Hong Kong, large numbers of young women from Indonesia and the Philippines pay huge sums to middlemen.

International capital mobility has an overall negative impact on the labour movement. As Keith Cowling states,

> "Capitalism has become increasingly nomadic, leaving a trail of social disruption in its wake. It will be privately efficient for each transnational corporation to adopt such a nomadic existence, reflecting as it does an appropriate response to rising labour costs and the opportunities offered by a more flexible technology, which in turn implies a reduced demand for broadly based skills in the workforce....Wherever workers act to raise wages or control the intensity or duration of work, they will lose their jobs to other groups of less well organised and less militant workers in other countries. Thus de-industrialisation in some industries of advanced capitalism is a consequence of class struggle in such a world." (as quoted in Foster et al 2011)

On the one hand, corporate-led globalisation has implanted the export-oriented development model based on foreign direct investment (FDI) in all developing countries, and therefore to accelerate economic growth under this model developing countries are compelled to compete with each other for more export orders and for a greater share of foreign investment. This competition between states is unique in the sense that ultimately it takes the form of offering cheaper natural resources and ensuring cheaper labour costs and therefore for winning the game they are engaged in a war with their own working classes.

This is clearly reflected in the proliferation of anti-labour laws and regulations and in the corporate-state collusion consistently unleashing repression on labour in developing countries. It is also seen in the transfer of huge amounts of land and natural resources to the corporate by forcefully acquiring it from the people who then face mass displacement. Moreover, increasingly the most labour intensive, hazardous and environmentally costly industries are transferred from developed to developing countries. This situation drastically increases the problems of occupational health and safety and also of environmental disasters.

On the other hand, the free mobility of capital drastically reduces the collective bargaining power of labour and increases the bargaining power of capital. The overall impact is reflected in a steady decline in labour's share of revenues and a consistent increase in the TNCs' share of profits. This applies not only to developing countries but also to developed countries. Capital mobility drastically reduces the collective bargaining power of labour in developed as well as developing countries due to the increased vulnerabilities of labour arising from de-industrialisation or the threat of de-industrialisation. A classic example of this phenomenon could be seen following a strike by British auto workers in 1971. Ford Motors' Chairman Henry Ford II declared that the manufacturing of parts of the Ford Escort and Cortina models might be transferred to Asia. Surveys conducted on the issue of such threats with management of multinational corporations and trade unions in the U.S. also provide good evidence that TNCs frequently use such threats during disputes with unions (Foster et al 2011).

The de-industrialisation trend is expanding the reserve army of labour in developed countries too, and the impact is felt in the form of downward pressure on wages and reduced collective bargaining power of labour. It can also be said that the working class of the global north is paying the price for not being able to fulfil its international responsibilities to help its brothers of the global south to reach a higher collective bargaining level. It reminds us again of the importance of and the need for a foundation of international labour solidarity.

In this situation with capital being freely mobile and the mobility of labour restricted and controlled, as regards the labour market, there are no national boundaries for capital, i.e., it is able to engage and exploit labour in any country, wherever it is cheaper, by freely moving in and out, as and when required. On the other hand, for labour, the labour market is fully regulated and restricted within national boundaries, and therefore it cannot freely move in and out of the countries in search of destinations where wages and working conditions are better. With this advantage, TNCs are able to earn super profits by using the strategy of divide and rule, by way of intensifying the competition for jobs between labour in various countries. In this situation, the majority of workers in the world are virtually converted into the reserve army of labour for international capital: When capital flows in, they are employed, and when capital flows out, they face unemployment. This is probably the first time in history that capital has enjoyed such favourable conditions. In addition, with the integration of erstwhile socialist countries into the capitalist world economy, this global labour market (for capital) has been expanded many times over. The integration of China alone into the capitalist world economy dramatically increased the number of workers competing with each other for jobs worldwide.

On the other hand, accumulation by dispossession in various ways resulted in the mass destruction of livelihoods and displacement of populations, swelling the ranks of the reserve army of labour in almost all developing countries. On the whole, the global reserve army of labour has grown many folds in the last few decades, creating intense competition for jobs between workers of different countries and within countries; and thereby increasing the space for and power of TNCs to divide and rule and exploit the vulnerabilities of workers. With these conditions, TNCs are also able to impose the most exploitative terms and conditions on subcontractors (industrial units in developing countries), who in turn compensate themselves by using the most brutal forms of exploitation of labour.

The threat to move production elsewhere has emerged as a most effective weapon in the hands of TNCs against labour, in a situation when labour in various countries are competing for jobs and nation states are competing for FDI and export orders. It is frequently used in Asian countries to crush the labour movements. In recent decades, there have been several big strikes in India, particularly in the automobile industry, and in most cases this threat was used to weaken the unity of labour and to force the state to suppress the labour.

This is not an idle threat, since capital has actually become foot-loose. Its nomadic existence has become a dominant strategy of transnational corporations to exploit the vulnerabilities of labour all over the globe, flying from places where workers and the people at large are acquiring better bargaining power to the places where labour and the people at large are the most vulnerable and virtually without any collective bargaining power. This also reflects the present character of transnational capital, which accepts no obligations to the nations it enters and to the people there.

In the new international division of labour and with free capital mobility, the power of transnational corporations and the exploitability of labour (and thereby profitability of capital) depends on the existence of a huge reserve army of labour. The informalisation of workforce and flexibilisation of labour is nothing but a strategy of creating and maintaining a reserve army of labour that may be exploited as and when international capital requires it. Moreover, with the emergence of huge monopolistic corporations controlling major sections of markets and with overall stagnation in economic growth, capital has now established a system of flexible production with greater scope for product differentiation, as well as strictly controlling the output to the level of existing or generated demands of the markets.

It is the requirement of this system of flexible production to have a system of flexible labour relations, i.e. labour can be hired and fired as and when required. This system provides an opportunity to save hugely on labour costs and most importantly to exploit the vulnerabilities of labour. The greater the reserve army of labour, the greater is the scope for capital to exploit the vulnerabilities of labour. Exploiting the informal sector is also inbuilt in this strategy. The global value chains and global supply chains now reach up to the tiny units of informal sectors, home-based workers and self-employed producers. The exploitation of low-wage informal sector workers adds significant value to the products and fattens profit margins.

IV. Global Supply Chains

Corporate-led globalisation opened immense opportunities for TNCs to accumulate surplus values generated in developing countries by forcing a new international division of labour and all-round privatisation and liberalisation of the economies. And with this, the concepts of global production chains, global value chains and global supply chains have emerged as new strategies for profit maximisation.

The global supply chains (GSC) of industries or companies are systems of resources, organisations, people, technology, information and activities spread across the globe and involved in the production and trade of goods and services. In other words, it is a worldwide network of suppliers of raw materials and other inputs, manufacturers (including component or other input manufacturers, assembly plants or final product manufacturers), warehouses, distribution centres and retailers, through which raw materials are acquired, transformed into the final product and delivered to the consumers. The supply chains of industries and companies have always existed in some form, but they were generally restricted in national boundaries and many times in particular regions of a country. The change that took place in the current phase of globalisation is that now the supply chains are dispersed all over the globe. The relationship between the various parts of global supply chains varies greatly with the nature of the industry and company.

The global value chains (GVC) of industries and companies are those parts of the global supply chains where value adding activities take place, including extraction and sourcing of raw materials, research, technological development and designing, manufacturing of intermediate inputs, and the manufacturing of final products and services. Therefore, the value chain can be seen as basically an analytical tool for studying the degree of value added by various activities involved in bringing out the final product and therefore also the degree of value added at different geographical locations. Classically, no real value is added in marketing, distribution and advertising activities. However, these represent costs to the companies and therefore, many economists include them in their value chain analysis.

The global production chains (GPC) are product-specific global value chains of companies or industries. They show how lead firms, such as Honda, Samsung or Adidas, arrange their network of suppliers to produce a particular type of car, mobile phone or sports shoe. In these arrangements, the lead firms generally control the key resources and activities, such as the technology and design, the brands and the customer network. Therefore, they are able to exercise effective control on their suppliers.

All three of the above concepts/strategies are interrelated. These strategies effectively establish the international division of labour in favour of corporate capital and make them able to maximise their profits and accumulate huge surpluses, often generated in developing countries by way of shifting most of the labour intensive activities from high-wage countries to low-wage countries and at the same time exercising effective control on whole value/supply chains.

The concepts of GSC, GVC and GPC also help us understand how the new international division of labour results in a looting of natural resources of developing countries, how the wealth created in developing countries is increasingly transferred to the developed countries, and how a tiny section of the elite in both developed and developing countries benefit at the cost of the workers and the community as a whole. It also exposes how environmental and occupational health and safety problems are increasingly transferred from developed to developing countries. It also helps us understand how the new international division of labour throws the working men and women into vicious circles of intensive exploitation in developing countries and redundancy in developed countries.

This is the dominant trend in the current phase of globalisation, wherein most of the labour intensive, environmentally costly and hazardous industrial operations are increasingly shifted from developed to developing countries, and Asia is emerging as the most important hub of such activities of the global factory. This process has already culminated in some sectors. One such example is the garment sector. Most of the big brands in the international apparel industry do not own or operate their own factories, and they are thus rightly referred to as hollow corporations. Rather, their executives sit in their corporate offices in the U.S., Europe, Japan, South Korea or Taiwan and send orders and designs for production of the required amounts of apparels to the hundreds of factories operating in low-wage countries, such as Thailand, Indonesia, China, the Philippines, Bangladesh, Cambodia, India, Mexico and countries in Eastern Europe. Without taking on any of the headaches involved in running the factories, they get the required supplies of their brand-name products in rapid time. In this outsourcing arrangement, the multinational brands are able to reap super profits by exploiting cheap labour and at the same time transfer all the economic (infrastructure), social and environmental costs of production and all the financial and operational risks to the subcontracting factories and the countries in which they operate. The same situation is emerging in other industries as well. For example in electronics, the production of almost all of Apple's iPhones and iPads is outsourced to the Taiwanese manufacturing firm Foxconn, which owns and operates factories in mainland China. The trend in the automobile industry is similar, except that in this case the brands still have a compulsion to run the main assembling operations in their own plants.

The new international division of labour has been established in such a way that the high value-added, capital and technology-intensive R&D operations are fully controlled by TNCs and are mostly based in developed countries, while low value-adding labour intensive operations are transferred to developing countries. By virtue of monopolistic control on markets, finances and crucial technologies and by using various investment strategies, TNCs are able to exercise effective control on whole value chains and put consistent pressure on the units in the supply chain for cost reductions. Subcontractors generally work for several TNCs simultaneously, but this diversification does not enhance their bargaining position vis-à-vis TNCs, because in this regard the TNCs collude rather than compete with each other. In overall terms it all results in wealth transfer from developing to developed countries.

The global supply chains that have emerged can be mainly classified in two categories that also reflect the two stages of development of GSCs.

- **Producer-driven supply chains**. These supply chains reflect the primary type of global supply/value chains which have given birth to global factories wherein TNCs still function as the lead firms and handle the final operations (final assembly) to produce the final products. However, almost all inputs are manufactured and supplied by a globally distributed network of suppliers. Suppliers are linked with the lead firms as if they are an extension of the lead firms, supplying input goods in a timely manner. This arrangement, along with providing opportunities to exploit cheap labour in developing countries, benefits the TNCs in other ways. For example, the cost of the infrastructure and the management of human resources needed to produce the inputs, the cost of rejections (of poor quality parts and components) and the cost of maintaining inventory is transferred to the suppliers. This type of supply chain is the characteristic feature of capital and technology intensive industries, such as the automotive, ICT and semiconductor industries.

Sometimes we also witness multi-polar value chains, wherein there is no overall dominant lead firm with the power to determine the ultimate shape of final products, rather there is more than one major firm exercising control over certain key activities throughout the chain. For example, Intel, Microsoft and Fujitsu are lead firms in their own production chains within the global value chain of personal computer production. A personal computer marketed by Fujitsu reflects Microsoft's software strategy, Intel's strategy in semiconductors, and Fujitsu's customer-based brand reputation and marketing strategy (Chang et al 2012).

- **Buyer-driven supply chains.** These supply chains reflect the advanced form of the global supply chain, wherein the TNCs as lead firms based in developed countries are largely transformed into hollow corporations with no direct engagement in manufacturing operations at any level. For example, all the major brands in the garment industry operate by sourcing from decentralised global networks of independent suppliers. These firms exercise effective control over the suppliers through control of R&D, by making them completely dependent on the orders provided by the major brands and retailers, and by effective control of the world market. Designs, product-process specifications and standards are dictated by the brand holders. With such effective control on suppliers, the TNCs are able to put consistent pressure on them to lower costs, while compelling them to bear all operational costs and risks. The buyer-driven supply

> chains are a characteristic feature of labour-intensive industries in the apparel, footwear, agro-industry and consumer electronics. In these in buyer-driven supply chains, no direct investment is provided by the TNCs to the local industry. It becomes a simple case of the accumulation of the surplus generated in developing countries by power of finance and control on the markets. It is true that significant employment is generated in developing countries by the expansion of buyer-driven supply chains. However, the majority of these jobs are highly precarious in nature, and moreover there are serious fluctuations in demand for labour.

This high degree of international subcontracting and thus the expansion of global supply/value chains have become possible as a result of declining shipping and communication costs. Parts and pieces are moved, not merely among countries, but also within corporate production networks, where transfer pricing reduces or eliminates certain types of costs, such as taxes on the full value of the product. The whole picture of this international division of labour sometimes looks as if the capital of developing countries is reduced to the status of managers of transnational capital. Moreover, these managers are highly obedient out of fear that transnational capital may fly away any time getting opportunities for more profitable investments elsewhere.

If we look at the global picture in 1990, the foreign affiliates of the top hundred nonfinancial multinationals of the world accounted for only about one third of their total assets and less than half of the sales and employment. However, by 2008 they accounted for about 60 percent of their total assets, employment and a far greater share of total sales. For example, the share of foreign assets, sales, and employment of General Electric's foreign affiliates rose from 36 percent, 38 percent, and 46 percent, respectively in the year 2000, to 50 percent, 53 percent, and 53 percent in 2008. For Ford Motors, its foreign affiliates' total assets, sale and employment increased from 7 percent, 30 percent and 53 percent in 2000 of the corporate totals to 46 percent, 59 percent and 58 percent respectively in 2008. A full 86 percent of Coca-Cola's total workforce in 2008 was employed by its foreign affiliates. In the two decades preceding 2008, the share of value added by the U.S. based parent companies had fallen by about 10 percentage points. In overall terms, at least 40 percent of world trade is linked to outsourcing. In some cases like Nike, all production is outsourced to subcontractors in Asia. In 1996, a single Nike shoe contained 52 different components produced by subcontractors in five different countries. Monopolistic multinational corporations, such as Nike and Apple, earn extremely high profit margins by exerting strategic control over their supply lines—regardless of their relative lack of actual FDI. How much surplus is accumulated by TNCs from developing countries can be seen in the fact that in the late 1990s the entire labour cost for the production of a pair of basketball shoes, retailing in the U.S. for $149.50, was only about $1.50 if produced entirely in Vietnam, or about 1 percent of the final retail price (Foster et al 2011).

The global supply/value chains of TNCs are increasingly assimilating and linking all economic activities. The value chains of the factories can extend to the home-based worker. Peasants and most other categories of self-employed workers are also increasingly transformed into wage labourers in their own fields and assimilated into the global supply/value chains by such strategies as promoting contract farming for TNCs. Therefore, the most dramatic change that has happened in the current phase of globalisation is that the fate of almost all workers and producers is now controlled by the transnational corporations.

It is interesting to note that the control over supply chains is putting such power into the hands of TNCs that they sometimes appear to be going mad in their use of extreme forms of labour coercion, such as ordering workers to run around the factory grounds in the hot summer, slapping and hurling shoes at workers, as in incidents exposed in the case of Nike in Vietnam in 1998. However, Nike rejected all responsibility for such incidents, arguing that the abuse occurred in companies which were subcontractors and not in plants owned or managed by Nike (Foster et al 2011).

We have come across similar kinds of extreme labour coercion all over Asia in the garment, electronics and auto component companies producing for TNCs. Through their control over the global supply chains, TNCs are able to put consistent pressure on subcontractors for cost reductions by intensifying competition among them and this ultimately results in dehumanising the subcontractors in terms of intensifying the labour exploitation by all means to the extent possible, ignoring and flaunting all labour rights and human rights. By naming Apple's subcontractor Foxconn Technology as the 'Run to Your Death' Company (Foster et al 2011), Chinese workers spelled out the ultimate price that these TNC strategies cost.

CHAPTER 3

Integration of Asia in Global Value Chains

Due to the rising organic composition of capital with falling rates of profits and increasing domestic real wages, transnational corporations in the West, particularly those in the U.S. in 1960s, started linking more open economies of East Asia, initially Japan and later Hong Kong, Taiwan, Singapore and South Korea, with their global supply chains. Japanese trading companies were some of the earliest sources of low-cost consumer goods for the West, such as footwear and apparel produced for large retailers in the U.S. and branded consumer electronics produced for lead firms such as RCA and Philips. But with the rise in domestic wages, Japanese companies soon started shifting labour intensive production operations to Hong Kong, Taiwan and South Korea and took the role of intermediaries in a comparatively complex triangular manufacturing arrangement. This led to two interrelated developments. On the one hand, the Japanese companies moved up the value chains, and on the other hand, very soon the factories in Hong Kong, Taiwan and South Korea started directly supplying to the West, along with working for Japanese companies that moved up the value chain. Similarly, the linking of Southeast Asia with global supply chains started with U.S. companies (especially National Semiconductors and Texas Instruments) set up plants in Singapore to assemble semiconductor devices. By the late 1970s and into the 1980s, with the same reasons of rising wages at home, and the appreciation of their currencies, firms from South Korea, Hong Kong, Taiwan and Singapore increasingly started outsourcing productions to low cost locations in East and Southeast Asia, such as Malaysia, the Philippines, Thailand, Indonesia, Vietnam and other locations (Sturgeon and Kawakami 2010 and Anukoonwattaka 2011).

However, in general up to the mid-1980s, this vertical specialisation form of trade (i.e., exporting material for processing overseas and importing the finished products) was more important in North-North trade among European and North American nations, rather than in North-South trade. This kind of North-South trade really started only in mid-1980s and in the first stage it was more in the form of integrating the peripheries in the value chains, for example in a surge of outsourcing from the U.S. to Latin American countries (Anukoonwattaka 2011) that were among the first liberalised developing economies. The real integration of Asia into global value chains (GVCs) started only in late 1980s and early 1990s when most of the Asian developing economies were liberalised.

Exploring the drivers of relocation of production operations to developing countries we may cite, for example, the organisational and functional restructuring of the transnational companies in the electronics, automobile and apparel industries in the late 1980s and early 1990s. Initially, transnational companies of the U.S. and then those from Europe and Japan started outsourcing their manufacturing in a big way to contract manufacturers/suppliers, mostly by selling their manufacturing facilities to them (Sturgeon and Kawakami 2010).

The following were the main drivers of industrial restructuring:

1. R&D, political lobbying, projecting brand image (its reliability, acceptability & domination), generating real and artificial demand for its products, developing a monopoly in resources and markets and playing games in the share markets, were emerging as the main activities for capturing a higher share of emerging world markets and increasing the rate of profits; and therefore TNCs considered

investment in internal manufacturing operations as drain on resources;

2. Continuous product diversification emerged as the key to capturing a greater market share, and on the other hand, in many industrial segments production scheduling became increasingly difficult due to ongoing market volatility. At the same time, due to a technological shift in the base process of product-level manufacturing in general and electronics manufacturing in particular, the pressure to acquire and master new automated manufacturing equipment made in-house manufacturing more expensive. The higher throughput, enabled by automated production equipment increased the risk of installing additional in-house capacity in the face of ongoing market volatility. These factors made outsourcing more attractive. By using contract manufacturers/suppliers brand-name firms gained the ability to ramp up the volume of their production upward or downward at short notice, without the need to install or idle in-house plant and equipment;
3. To exploit the benefits of the new international division of labour and international capital mobility, and to reduce the complexities and coordination costs of globally expanding value chains, transnational companies needed fewer but globally operating suppliers. This led to the emergence of contract manufacturers or transnational suppliers who were capable of taking the complete responsibility of manufacturing as in case of electronics and apparel, or supplying fully assembled modules/systems as in case of automobiles. They freed the transnational brands from manufacturing operations.

The process of outsourcing that began with lead firms outsourcing to smaller regional contract manufacturers was then speeded up tremendously with an opportunity, appearing probably for the first time in history for TNCs to expand their supply chains all over the globe in a big way. With the rising scale of outsourcing, the complexity of managing a multiplicity of relationships with suppliers based in multiple locations also increased. In order to streamline the management of their outsourcing relationships, brand owners increasingly demanded that their key contract manufacturers have a global footprint.

This process soon culminated in the emergence of big transnational contract manufacturers/suppliers. The brand owning TNCs took the shape more of financial powers, fully controlling the whole global value chains by their elective control on R&D and monopoly on markets and finances.

Beginning in the mid-1990s, the contract manufacturers and transnational suppliers, based mainly in North America, Europe, Japan and the newly industrialised Asian countries, started aggressively internationalising their operations. In this process a class of huge transnational contract manufacturers emerged with effective global presence. For example, Solectron which until 1991 had only a single campus in Silicon Valley established nearly 50 facilities worldwide in the following 10 years. Similarly other transnational suppliers in electronics, automobile and apparel expanded their operations all over the globe. These expansions were largely driven by acquisitions of customer facilities and competitors and firms in developing countries as well as by establishing new facilities (Sturgeon and Kawakami 2010).

As we have already discussed, enterprises in the four newly industrialised Asian countries South Korea, Taiwan, Hong Kong and Singapore, moved up the value chain and started outsourcing production to other Southeast and East Asian countries such as China, Vietnam, Indonesia, Thailand, Malaysia and the Philippines. With active support from the state, firms in Korea, Taiwan and Singapore gradually acquired new technological capabilities and began to supply more technology-intensive products. In the new phase, with the opening of economies in developing countries and with a wave of outsourcing from developed countries, these firms moved further up the value chain and emerged as big contract manufacturers and also moved to develop their own brands and emerge as competitive lead firms (OBMs).

Korean firms followed Japan's footsteps, and as early as the 1980s, Korean *chaebols* (business families) emerged as large, diversified enterprise groups with vertically integrated structures for product development, manufacturing, and marketing. Active support from the state and emphasis on R&D were crucial factors behind this success. This led to the successful emergence of Korean brands, such as Samsung, LG, Hyundai Motors and others. The leading contract manufacturers/suppliers in Taiwan also moved by all means to emerge as lead firms or own brand manufacturers (OBMs) and develop their own brand names. These firms also received active support from the state and emphasized R&D. There were some successes also in this direction, but these efforts brought them into direct competition with their customers and put their future orders at risk. Therefore, by and large, they were compelled to stop these efforts to achieve the position of OBM and remain contract manufacturers. However, the emphasis on R&D continued. They developed a range of competencies in contract manufacturing and design services to emerge as competitive world class contract manufacturers. These firms then aggressively expanded to mainland China and beyond. This process led to the emergence of multinational Taiwanese contract manufacturing firms, such as Taiwan Semiconductor Manufacturing Company (TSMC), Quanta Computer, and Hon Hai Precision Industry (trading as Foxconn Technology in English) and others.

The main reasons behind the success of Korean companies and failure of Taiwanese companies in emerging as OBMs were the larger home market in Korea, different state policies (Korean state actively and aggressively promoted vertical and horizontal integration), and Korea's early entry into GVCs than Taiwan's. Moreover, with the early experience of Japanese and Korean suppliers emerging as competitors to brands, the customer companies were now hesitant in offloading full design and product conception responsibilities to supplier firms in order to stop them from emerging as OBMs, and this proved detrimental to Taiwanese firms (Sturgeon and Kawakami 2010).

The situation in Singapore was more or less similar to Taiwan. Some big, world class multinational contract manufacturers emerged, but very few, if any, companies emerged as internationally competitive OBMs. In Hong Kong, the situation was more or less similar. These countries rather than focusing on creating full-blown, vertically integrated, globally competitive national industries, concentrated their efforts to emerge as globally competitive ODMs and OEMs.

Generally, the picture of the global value chain that emerges from the above is as follows:

1. **Transnational OBMs (own brand manufacturers or Original Brand Manufacturers).** Transnational brand owning companies with major share of world markets
2. **Transnational contract manufacturers (CMs).** Contract manufacturing allows TNC brands in some industries to carry on their businesses without any of their own physically existing factories, or by having only the main assembling units for assembling the fully integrated modules into the final products
   a. **Transnational ODMs (original design manufacturers).** ODMs are capable of undertaking product design, development and manufacturing but are not directly engaged in marketing and brand promotion. The ODM and a buyer both discuss the product specifications, or the ODM recommends and receives its approval and an order from the buyer. They generally source the fully developed modules from OEMs and assemble and deliver the final product to the buyer. In some cases, such as in garment industry, ODMs outsource complete manufacturing work to local companies and play the role of value chain managers to ensure timely delivery of the quality products to buyers. Their technical and financial capabilities and their linkages with value chains position them to launch their own brands but such a move risks their ODM business with the OBMs.
   b. **Transnational OEMs (original equipment manufacturers).** OEMs carry out production and assembly operations in accordance with the specified product specifications and deliver finished products to the buyers. They source parts and components from lower tiers and supply the fully developed modules/equipments or products to ODMs or OBMs;
3. **Tier I Local or transnational suppliers.** supplying specific components/parts;

4. **Tier II Local suppliers.** Local companies producing specific parts, generally carry out low value adding and highly labour intensive operations;
5. **Tier III Local Suppliers.** Small local factories, informal sector units or home-based units, performing very low value adding, highly labour intensive tasks.

It is to be kept in mind that global value chains may differ from industry to industry, and the roles of contract manufacturers/suppliers may also have some industry specificities.

Transnational OBMs are generally from North America, Europe, Japan and a few from Korea. A large number of transnational contract manufacturers, ODMs and OEMs are also from developed countries. But as we discussed that by virtue of early entry in the global value chains and early export links with the North, a number of firms in newly industrialised countries of Korea, Taiwan, Hong Kong and Singapore moved up the value chain and emerged as OEMs and ODMs, particularly with the advent of liberalisation and the flood of outsourcing orders from developed countries. Therefore, now a significant number of ODMs and OEMs are from newly industrialised countries and they have expanded their presence, particularly in Asia.

Malaysia also recently entered the group of newly industrialised countries. It was a major base of electronics manufacturing before the emergence of China. Malaysian firms gradually moved up the value chain specialising in more technology intensive operations. It is already positioned at a comparatively higher level of the value chain with a base of high technology, knowledge based and capital intensive industries and has emerged as a major exporter of electrical and electronic products, machinery and transport equipments. Even if its electronics industry recorded a decline after the emergence of China as a manufacturing hub, it still remains a major player in information and communication technology (ICT).

The phenomenal emergence of China as new global production hub and the technological advances that it achieved with a determined focus, added a new dynamics in the value chains. In time, globally competitive brands also emerged in China, such as Haier, Lenovo and others. The emergence of India as a fast growing economy also led to the emergence of a few globally competitive brands, such as Tata Motors and Mahindra & Mahindra in the automobile industry.

However, in the general picture, firms in developing Asian countries including India and China are typically locked at low value adding positions of GVC. It has become highly difficult for new entrants in the GVC to upgrade and move up the value chains. Hurdles for the new entrants are on the one hand inbuilt in the global value chain system itself and on the other hand, they are consciously created by TNCs. GVCs of TNCs demand a global presence and advanced capabilities in R&D as a precondition for entry at the level of ODM, OEM, and tier I supplier. In general, firms in developing countries are not able to meet these requirements. Moreover, TNCs are interested in technology sharing mainly with their own subsidiaries and affiliates, i.e., generally the foreign TNCs, and not with local firms (Yusuf 2004).

Only large firms that are able to create their own global production networks and develop their R&D capabilities by acquiring promising innovative firms worldwide, can reap the benefits of proximity to important markets. There are very few, if any, such large firms in developing countries. In India and China which are exceptionally larger economies and also the larger markets, some larger corporations were able to emerge, and using the strategy of acquiring some world class firms, they were also able to move up the value chain and emerge as globally competitive brands, for example, Lenovo in China and Tata Motors in India.

The expansion of the global value chains of various industries in various regions/countries depended on the following factors:

1. Competitive cost advantage in factors of production, i.e., lower cost of labour, raw materials, infrastructure and also administrative costs;
2. Larger home markets or larger integrated regional markets for the goods produced, enabling economies of scale;
3. An existing base of manufacturing able to provide at least tier-II and tier-III suppliers, a significant number of enterprises with relevant

competence in technology that may be used directly or acquired to develop into competent tier-I suppliers, and a sufficient supply of skilled labour. Site selection decisions by TNCs are strongly influenced by the presence of other key market players in particular industries in the region or a country;

4. Lower costs of international trade, including the cost of tariff and non-tariff barriers, transportation, communication, exchange rates, legal and regulatory costs, and local distribution costs. Trade in global value chains involves multiple cross-borders trading of goods-in-process during the different stages of production. As international trade costs are incurred each time a good-in-process crosses a border, even a minor reduction in trade costs can result in significant cost reduction of the final product. Effective trade cost reduction can make it profitable for firms with all production stages concentrated in one country to move some stages to other countries. Investment liberalisation is also equally important in the same way.
5. It is in this light that we can understand why, even if the labour costs were equally low in South Asian, East and Southeast Asian countries, the integration of South Asia into global value chains was slow and delayed, while East and Southeast Asian countries were quickly integrated into global value chains and China emerged as one of the most important production hubs of the global production network. The presence of a pre-existing supplier base in the electronics industry in some East and Southeast Asian countries, the presence of OEM and ODM competence in newly industrialised countries in East and Southeast Asia (South Korea, Taiwan, Hong Kong and Singapore), early liberalisation of East and Southeast Asian economies, regional economic integration leading to formation of ASEAN and China's emergence as a production hub as well as a promising market built the comparative advantage of East and Southeast Asia over South Asian economies.

In the industrial sectors wherein only the low cost of labour plays the key role, South Asia is steadily integrated in GVC. It is particularly reflected in phenomenal growth of garment industry in Bangladesh, India, Sri Lanka and Pakistan. Moreover, in automobile industry wherein the main assembly plants of brands are required to be located in vicinity of markets and majority of the firms in the value chains are also required to be in vicinity of main assembly plants, India has emerged as one of the production hubs of GVC. Its large and growing market, already existing some local brands and supplier base in automobile industry and presence of a base of suppliers along with availability of sufficient, skilled labour force build its comparative advantage in this sector. Also, with a sufficient supply of skilled labour, it has acquired a significant place in the IT services. Mainly by virtue of growing Indian electronics market and availability of abundant cheap and skilled labour force, recently many electronics TNCs have expanded their value chains in India and also established their main assembly plants. However, India still contributes only a negligible share of total global electronics production.

The most important factor that has contributed to comparatively faster growth and the early integration of East and Southeast Asia into global value chains, as well as the emergence of China as Asia's production hub is politics. It has been well documented that the development of capitalism is fastest in dictatorial regimes, where the state is able to effectively crush any opposition to the drive for capital accumulation. If we look at East and Southeast Asia, the political systems based on one-party system or relatively dictatorial regimes dominated the scene in the relevant period. The four newly industrialised countries (South Korea, Hong Kong, Taiwan and Singapore) were all under this sort of regimes, and were all by and large politically and economically allied and integrated with the West. In China and Vietnam, the one-party political system together with the single trade union system ruled. In the Philippines and Indonesia also the political systems at the relevant period were by and large dictatorial, and the regimes were by and large allied with the West. Thailand was by and large still not out of monarchy system and was also more or less politically and economically allied with the West.

I. Electronics Global Value Chain

As we discussed in the previous chapter, since the late 1980s and particularly since the 1990s, outsourcing based on contract manufacturing became the rule of the game. It was a more prominent trend in electronics than in any other industrial sector.

In the late 1980s and early 1990s, most North American electronics firms in the computer and networking sectors, such as Apple, IBM, Nortel, 3Com, Hewlett Packard, Maxtor and Lucent, sold much of their domestic and offshore production facilities to large contract manufacturers and rapidly moved toward outsourcing their circuit-board and product assembly. New companies, such as Sun Microsystems, Silicon Graphics, EMC, Juniper Networks, Sycamore Networks, Cisco Systems and Network Appliance, outsourced most of their production from the outset. In late 1990s, most of the major European electronics firms, such as Ericsson, Philips, Siemens, Nokia and Alcatel, also followed the same path. They were joined by Japanese electronics firms such as NEC, Fujitsu and Sony soon after. It is interesting to note that most of the top contract manufacturers that acquired the facilities of global brands were mainly based in the same countries or the regions where the brands were located. For example, all the top five contract manufacturers in North America i.e., Solectron, Flextronics International, Sanmina/SCI, Celestica, and Jabil Circuit were based in the U.S. or Canada (Sturgeon 2002).

With ever-increasing shift of production operations to developing countries, the global brands in electronics also demanded that their contract manufacturers have a global presence and capabilities to provide global manufacturing and process engineering support. Contract manufacturers aggressively seized this opportunity through acquisitions and capacity expansion. Within a few years, they developed their own global production networks, complementing the networks of the global brands. For example, Flextronics built its network to 62 plants worldwide, Solectron set up factories in 70 countries, and Sanmina/SCI has 100 factories around the world (Ernst 2004).

Table 1. Top contract manufacturers, their specializations, country of origin, and 2009 revenues

TOP CONTRACT MANUFACTURERS	COUNTRY	PRIMARY SERVICE	2009 REVENUE (US$ MILLIONS)
Foxconn/Hon Hai	Taiwan	EMS/OEM	44,065
Flextronics	US & Singapore	EMS/OEM	30,949
Quanta Computer	Taiwan	ODM	23,265
Compal Electronics	Taiwan	ODM	19,424
Wistron	Taiwan	ODM	16,226
Inventec	Taiwan	ODM	12,349
Jabil Circuits	US	EMS/OEM	11,685
Celestia	Canada	EMS/OEM	6,092
Sanmina/SCI	US	EMS/OEM	5,177
Venture	Singapore	EMS/OEM	2,428
Elcoteq	Luxembourg	EMS/OEM	2,090
Benchmark Electronics	US	EMS/OEM	2,089
SIIX	Japan	EMS/OEM	1,360
Beyonics	Singapore	EMS/OEM	1,120
Zollner Elektroniks	Germany	EMS/OEM	970

Note: EMS/OEMs are contract manufacturers responsible for component purchasing, circuit board assembly, final assembly, and testing; ODMs are contract manufacturers responsible for the role of OEMs and product design services.
Source: Sturgeon and Kawakami 2010.

With the boom in outsourcing of electronics manufacturing in East and Southeast Asia, including China, the electronics firms in the newly industrialised countries of Taiwan, South Korea and Singapore quickly moved up the value chain to the level of OEMs and ODMs. As we discussed in earlier chapter, Taiwan firms were largely compelled to remain at the level of contract manufacturers and they specialised in that position and enhanced their technological capabilities to move up from the level of OEMs to the level of ODMs. On the other hand, many Korean firms were able to emerge as powerful global brands (OBMs), such as Samsung and LG. Singapore firms remained and specialised at the OEM levels. These OEM, ODM and OBM firms from the newly industrialised Asian countries also expanded globally, particularly in Asia.

The rate of global expansion of the top contract manufacturers and the growth in their revenue was tremendous. The world's top five electronics contract manufacturers grew their revenue at an annual rate of 45 percent a year between 1995 and 2002, and 67 percent of their revenue in 2002 was generated from acquisitions of manufacturing facilities of lead firms and other local firms worldwide in previous three years (Sturgeon 2002). Table 1 below shows the top contract manufacturers, their country of origin and their revenues in 2009. It is interesting to note that four of the world's top five contract manufacturers by revenue are from Taiwan. This reflects the emergence of China as the world's electronics factory and the dominant role played by Taiwanese contract manufacturers in China.

With heavy use of computers and information technology in all walks of life and in all other industrial sectors, the electronics hardware industry has emerged as the world's most important manufacturing sector, and with the global value chains emerging as the most dominant form of electronics manufacturing, the level of trade in electronics, particularly electronics intermediates, reflects the level of manufacturing growth in particular countries. Intermediate electronics, along with automotive goods, accounted for nearly 65 percent of the world trade in the top 50 manufactured intermediate products in 2006. From 1998 to 2006, the share of electronics intermediates alone (including semiconductors, printed circuit boards and others) increased from 24.4 percent to 43.3 percent of the world trade in the top 50 products. The share of automotive intermediates fell from the top spot in 1988 (25.1 percent) to the number two spot in 2006 (21.4 percent). The growth rate of trade in electronics intermediates was 13.8 percent per year during this period, the highest in the top 50 product groupings (Sturgeon and Kawakami 2010).

The importance of various countries and regions in electronics manufacturing is well reflected in the data on the share of various countries in imports and exports of electronics good given in Tables 2 and 3 below.

Table 2. Top 15 intermediate goods exporters in the electronics industry, 2006

ELECTRONICS INTERMEDIATE EXPORTERS	US$ MILLIONS	PERCENTAGE OF TOTAL	PERCENTAGE CHANGE 1991-2006
China	109,433	11.7	21,649.1
Hong Kong, China	101,873	10.9	2,580.0
United States	101,807	10.9	179.4
Singapore	97,278	10.4	942.2
Japan	88,994	9.5	160.8
Taiwan, China	63,824	6.8	834.0
Korea, Rep. of	55,028	5.9	543.2
Germany	52,685	5.7	235.5
Malaysia	43,966	4.7	512.9
Netherlands	30,637	3.3	520.2
United Kingdom	22,538	2.4	121.1
Philippines	22,024	2.4	1,186.4
France	19,148	21.	131.3
Thailand	15,756	1.7	438.6
Mexico	13,115	1.4	3,594.1

Source: Sturgeon and Kawakami 2010

It is interesting to note that with both the intermediate goods exports and intermediate goods imports, the same countries are prominent, and Greater China (China, Hong Kong and Taiwan) accounts for as much as 33.1 percent of world imports and 29.4 percent of world exports of intermediate electronics goods. This reflects the following characteristics of the electronics industry:

In the global value chain of electronics, manufacturing operations located in various countries are interlinked; in all the locations crucial component inputs are imported to produce the required intermediate products that are in turn exported to other locations as inputs;

World electronics manufacturing is highly concentrated in China with Taiwanese firms playing a major role in comparatively high value

Table 3. Top 15 intermediate goods importers in the electronics industry, 2006

ELECTRONICS INTERMEDIATE IMPORTERS	US$, MILLIONS	PERCENTAGE OF TOTAL	PERCENTAGE CHANGE 1988-2006
China	186,294	18.9	15,219.0
Hong Kong, China	104,856	10.6	1,452.2
United States	94,466	9.6	194.0
Singapore	73,040	7.4	590.5
Germany	51,569	5.2	236.3
Japan	45,639	4.6	422.5
Malaysia	44,695	4.5	466.8
Taiwan, China	35,705	3.6	3,048.9
Mexico	35,486	3.6	365.8
Netherlands	26,868	2.7	392.9
Philippines	23,685	2.4	1,052.6
United Kingdom	23,130	2.3	79.5
France	19,577	2.0	118.8
Thailand	18,607	1.9	423.3

Source: Sturgeon and Kawakami 2010

adding activities. Hong Kong perhaps gets prominence because most of imports and exports from China are routed through it

Major high value components are still produced in high-tech facilities of the lead firms based in the U.S., Europe and Japan and exported to East and Southeast Asian countries, particularly China

Major players in electronics manufacturing in the developing countries of East and Southeast Asia (other than Japan and the newly industrialised countries) are China, Malaysia, Thailand and the Philippines. Recently, Indonesia and particularly Vietnam have also gained importance in the global electronics value chain.

With the exception of India, South Asia is still not well integrated in the global electronics value chains. India's output in electronics hardware industry is only about US$20 billion (2008-09), which is about 1.31 percent of global output. The electronics industry's share of

India's GDP is only about two percent. However, India has emerged as a prominent market for electronics goods. It is currently worth about US$45 billion (2008-09) and is expected to reach US$400 billion by 2020 (Pratap 2013).

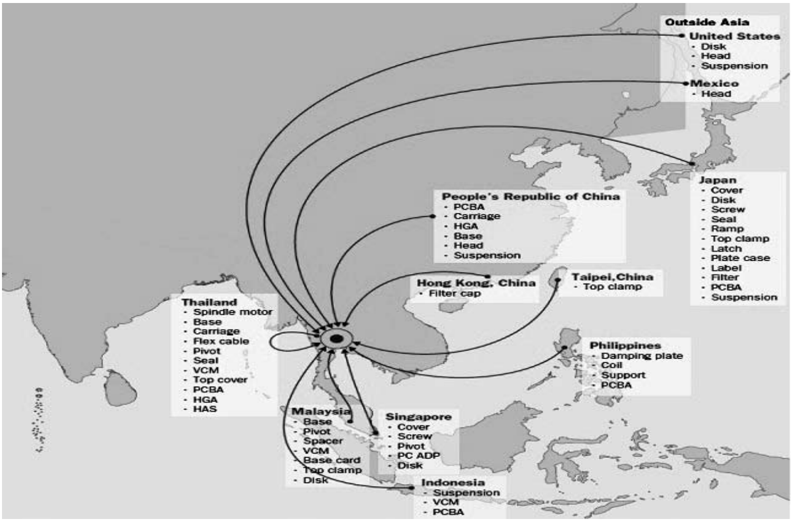
China clearly takes the top spot as the world's largest producer and exporter, and also as one of the largest consumers of electronics. For example, China is not only the largest producer and exporter of mobile phone handsets, but also the largest consumer. The growth is amazing. In 1998, its share of world mobile handset production was just 2 percent; by 2005, production had jumped to account for more than 37 percent of world production. During the same period the share of handsets produced for export increased from 55 percent to more than 75 percent, and the number of mobile phone subscribers in China also soared from about 25 million to about 400 million (Sturgeon and Kawakami 2010).

China's rise is clearly a positive factor in accelerating the growth of electronics manufacturing in East and Southeast Asia in general, due to the very nature of global value chains, wherein profit maximisation takes place by increasingly shifting labour intensive operations to various locations to reap the benefits of various cost advantages and capabilities, while not allowing any increase in the bargaining power of labour or enterprises involved in the value chain at any location. For example, we can see the geographical structure of the value chain of a disk-drive manufacturing firm based in Thailand in Figure 1 below.

The electronics global value chain is increasingly becoming a buyer driven value chain, but the producer driven chain also exists as some brands still do final assembly in their own assembly plants. However, by and large the following structure of the global electronics value chain has been created in Asia:

1. **OBMs (own brand manufacturers)/lead firms.** The most important lead firms are based in developed countries, mainly in the U.S., Western Europe and Japan. Among the newly industrialised countries, only Korea stands out as a base of important lead firms,

Fig. 1. Sourcing of parts and components of a disk drive assembly firm in Thailand



Note: The production of hard disk drives requires several parts and components. The example shows the actual sourcing of parts and components of a hard disk drive assembly firm in Thailand. The largest majority of parts and components are sourced from other integrating Asian economies. Hard disk drives are used in several electronic products. The hard disk drive assembler in Thailand exports a large share of its production to electronic firms mostly in other integrating Asian economies. (Source: Sturgeon and Kawakami 2010)

especially Samsung and LG. A handful of some other lead firms have emerged, particularly in Taiwan and China. These include: Acer, a personal computer (PC) maker of Taiwan; Huawei, a Chinese manufacturer of networking equipment; and Lenovo, a Chinese PC company that emerged as a global brand after acquisition of IBM's PC division in 2004 (Sturgeon and Kawakami 2010).

2. **Platform Leaders.** The companies owning crucial technologies (software, hardware, or a combination of the two) used in products of many other companies. They are all mainly developed countries firms with only few exceptions like Media-Tek, a "fabless" semiconductor design house from Taiwan.

3. **CMs (contract manufacturers).**
    a. ODMs (Original Design Manufacturers). Taiwanese firms have a clrear dominance among ODMs in Asia
    b. OEMs (original equipment manufacturer). The firms from Taiwan, Singapore, South Korea and China are the major players as OEMs in electronics industry in Asia;
4. **Tier-I suppliers.** Locally based in developing countries as well as from developed countries and the newly industrialised countries;
5. **Tier II&III suppliers.** Locally based in developing countries.

In this way we can see that firms in the developing Asian countries are typically locked at low value adding positions of the global electronics value chains. Even among the first-tier contractors, the companies from developed countries or the newly industrialised countries dominate, and the local companies are mainly located in the second or third tier of the value chain. For example, in the Philippines, out of total 715 electronics firms, only 28 percent are local and more than 80 percent of total electronics exports from Philippines are produced by subsidiaries or affiliates of MNCs (EILER 2007).

More complex, capital-intensive precision components, i.e., memory devices and displays, are sourced mainly from Japan, South Korea, Singapore and Taiwan, and hard disk drives are sourced from a Singapore-centred triangle of locations in Southeast Asia. High-precision, design-intensive components, such as microprocessors, are sourced from platform leaders like Intel, which are mainly based in developed countries (Ernst 2004).

Malaysia needs special mention here. The proximity and linkage with Singapore's electronics industry and the market helped early emergence of Malaysia as a major electronics manufacturing center. The share of electronics and electrical products in Malaysia's gross exports of manufactured goods was as high as 72.5 percent in 2000 (Yunus 2012). With rise of China as a production hub, its electronics industry recorded a decline, however, with determined focus on acquiring technological competence and moving up the value chain, Malaysian firms remained as major players in ICT. For example, Malaysia has a very strong position in the photovoltaic (PV) industry, and its medical devices industry (MDI) is another globally competitive industry (World Bank 2011). Malaysia has been focusing all its efforts on basic research and brand commercialisation to further move up the value chain to survive in the new competitive environment.

Similar strategies and processes of moving up the value chain can also be observed in China, where many Chinese firms are increasingly moving to the middle levels of the value chain, and some, such as Lenovo, are emerging as globally competitive brands. However, in general the country remains placed at the low value adding positions of the value chain. In India, this trend is particularly dominant in ICT services rather than in electronics manufacturing. The emergence of Tata Consultancy Services as a multinational company, operating in 46 countries and having 199 branches across the world, can be cited as the most important example.[5] In electronics manufacturing, there are few national brands in India but with very small share in national market and almost no international presence.

It is interesting to note that the major share of value in electronics manufacturing is created by the lead firms and in some cases by platform leaders, and so the major share of revenues also goes to them. For example, it is estimated that only $4 of the $299 retail price of an Apple 30 gigabyte video iPod MP3 player is captured in China, where they are assembled and tested by Inventec, a Taiwan-based ODM contract manufacturer. The share captured by domestic Chinese companies is very low and probably limited to packaging and local services. As for the iPad tablet computer, Apple's gross margin is estimated to be at $270, or 54 percent of the $499 sale price. Very little of the product's value is captured in China and even less by mainland Chinese companies (Sturgeon and Kawakami 2010).

How does this happen? The crucial components for assembling iPods are manufactured mostly in the U.S., Japan, and Korea, and not in China. Most importantly, iPod's high-level design work and software

5 The company website; http://www.tcs.com/investors/investor-faq/Pages/default.aspx

development is conducted in-house by Apple. In this way, the major share of revenue is captured by Apple, its technology suppliers and retailers.

In some product sectors the platform leaders capture the major share of revenue. For example, in the notebook PC value chain more than 50 percent of the profit is captured by Intel, the platform leader that supplies most of the central processing chipsets to the notebook PC industry. The profit share of lead firm Dell is about 20 percent, and for Taiwan-based contract manufacturer Quanta 5 percent. The revenue earned by suppliers of components for these products based in east and southeast countries must be much lower (Sturgeon and Kawakami 2010).

However, these high margins for platform leaders are limited to some product sectors; in other product sectors the lead firms capture the major share of revenue.

As can been seen from the discussion above, most contract manufacturers have also been trapped in low value-added segments of the electronics global value chains.

II. Automobile Global Value Chain

The automotive industry, like the electronics industry, is one of the important engines of growth for other industries, such as mining, metal, plastics, electronics, and construction. From the outset, the automobile manufacturing was located close to the markets, all the automobile brands were from the developed countries particularly from North America, Europe and Japan, and the automobile market was also concentrated in these regions. With the advent of mass production lowering the cost of automobiles making them mass commodities, particularly during the period between the two world wars, the expansion of automobile industry started in other regions as well and some final assembly plants were established in the regions with promising markets to reduce transport costs. Trade barriers also forced the automobile companies to establish assembly plants in a country to participate in its market. Particularly after World War II, when trade barriers were extended to components also, then global automobile brands were forced to integrate offshore production and source the components locally to the extent possible. With these developments, a regional pattern started emerging and North American and European automobile brands expanded more into Latin America, and Japanese brands into other parts of Asia.

In the 1980s, new dynamics emerged. On the one hand, the increasing organic composition of capital in automobile industry was creating a serious profitability crisis, and on the other hand, the automobile market, which was mainly concentrated in North America and Europe, came to a certain level of saturation, and intense competition started among the global automobile brands. This was reflected in a growing concern in America and Europe about the flooding of their local markets with automobiles imported from Japan. The Japanese automakers were compelled to set limits on their market share via exports. In response the Japanese automakers established large number automobile plants in the U.S. and Europe to locally manufacture a significant share of passenger vehicles to be sold in the U.S. and Europe. However, it did not resolve the real problem of saturation of markets and the falling rate of profits and therefore, the competition among the global brands was further intensified. This competition reduced the number of global players with a major share of the market. There were the four big global brands, i.e., Toyota, Volkswagen, Ford, and Hyundai which accounted for the major share of the world market.

It was in this business environment that the global automobile brands began adopting two strategies: a) shifting manufacturing operations to low cost locations and b) expansion into other regions with prospects of emerging future promising markets. In the 1980s, the American and European automobile brands increasingly expanded their manufacturing operations in low cost peripheries, such as Canada, Eastern Europe, Mexico and Spain, along with increasing automobile sales in these regions. In addition, they imported an increasing share of automobiles manufactured in these low cost locations to their home markets. Regional trade agreements, such as the European Union (EU) common market and North American Free Trade Agreement (NAFTA), facilitated and accelerated such developments.

Some sort of global value chain started emerging with the above developments. However, in real terms it took shape only after the 1990s when most of the developing economies were increasingly liberalised, and the global brands in various industries started aggressively expanding their operations in developing countries. Soon, Asia emerged as one of the most important hubs of the global factory. The historic shift of automobile manufacturing from developed to developing countries was tremendously accelerated by the 2008–09 economic crisis, and therefore the real picture of this shift is actually still taking shape: The liquidation of small producers, plant closures and capacity reduction in many firms in developed countries has yet to be completed (Biesebroeck and Sturgeon 2010).

The data on automobile manufacturing growth from 2002-07 for countries producing more than one million vehicle very clearly reflects this historic shift (Table 4). During this period nearly all the North American countries in this category recorded negative annual growth, and Japan recorded growth of only 2.48 percent. On the other hand, three Asian countries, China, India and Thailand, recorded annual growth rates of 22.29, 18.06, and 16.88 percent, respectively.

This historic shift was fuelled to increase profitability by reducing the cost of production and to capture a larger share of emerging markets. Japan, the U. S. and Western Europe are still the major markets for automobiles, but average demand is growing at a rate of less than 1 percent a year. On the other hand, East Asian automobile markets have been recording annual growth rates of around 15 percent. It is projected that soon the Asia-Pacific region, excluding Australia and Japan, may account for 45 percent of incremental volume, and China and Korea together may reach the level of Japanese volumes (Doner et.al. 2004). Some projections even claim that 50 million cars (about 3.5 times the size of U.S. market) would be sold annually in China by 2050 (Sturgeon and Lester 2004).

With the dramatic expansion of manufacturing facilities of the global automobile brands, an industrial restructuring, similar to that seen in the electronics industry, also took place in automobiles.

In-house component manufacturing was considered a drain of resources, and it was actually not possible for brands to manage such large scale in-house operations in component manufacturing across the

Table 4. Passenger vehicle production levels and growth in countries producing one million or more units

COUNTRY	UNITS (THOUSANDS) 2002	UNITS (THOUSANDS) 2007	ANNUAL GROWTH (PERCENT) 2002-07	UNITS (THOUSANDS) 2008	ANNUAL GROWTH (PERCENT) 2007-08
Spain	2,855	2,891	0.25	1,940	-32.90
Canada	2,629	2,602	-0.21	2,068	-20.52
United Kingdom	1,821	1,770	-0.57	1,450	-18.08
United States	12,280	10,611	-2.88	8,746	-17.58
Italy	1,427	1,284	-2.09	1,085	-15.47
Germany	5,145	6,200	3.80	5,500	-11.29
Korea, Rep. of	3,148	4,085	5.35	3,830	-6.24
Mexico	1,805	2,254	4.54	2,154	-4.44
India	892	2,046	18.06	2,022	-1.20
Japan	10,258	11,596	2.48	11.564	-0.28
Turkey	340	1,097	26.40	1,147	4.57
China	3,251	8,890	22.29	9,340	5.06
Russian Federation	1,220	1,654	6.28	1,776	7.40
Brazil	1,793	2,960	10.55	3,210	8.45
Thailand	540	1,178	16.88	1,400	18.85

Source: Biesebroeck and Sturgeon 2010

globe. Therefore, all the global brands adopted a strategy of outsourcing all the component manufacturing to competent suppliers. On the other hand, the brands specialised in high tech R&D, innovation and design to reap a higher share of revenues from the value chain and also to exercise effective control on the global value chain. To streamline their global operations the global automobile brands demanded their suppliers to have a global presence and system design capabilities. As with the transnational contract manufacturers that emerged in the electronics industry, huge transnational component suppliers with a global presence emerged in automobile industry. And as seen with the electronics contract manufacturers, these transnational component suppliers were also mainly based in North America, Europe and Japan, and mergers and acquisitions played an important role in their global expansion and growth. For example, the world's two largest component suppliers emerged from Ford's and General Motors' former component divisions (Sturgeon & Lester 2004). Major suppliers produced components for multiple automobile brands, and some of them grew to be larger than any one automobile brand. These suppliers include PPG, Bosch, Johnson Controls, Lear, Magna, Siemens Automotive, TRW, and Yazaki etc.

The automobile value chain has some structural differences from that of electronics value chain: a) the value chain of the automobile industry is more organised nationally or regionally, to reduce the transport costs and also due to political pressures; the main assembly plants are located in nations with the larger market share, production of bulky, heavy, and model-specific parts is concentrated close to final assembly plants only lighter and more generic parts are produced in other countries/regions to take advantage of economies of scale and low labour costs; and b) due to the specific nature of automobile products and manufacturing, there is no system of contract manufacturers; the main assembling is still done in the assembly plants of the global brands and the brands themselves play the role of OEMs/ODMs. There are also a number of brand OEMs producing crucial equipments used by various automobile companies.

The automobile global value chain is a producer-driven chain and takes shape in following structure:

1. **Global Automobile Brands / OEMs.** Carry out the main assembly operations in their own assembly plants located all over the globe, but the actual work in these assembly plants is reduced to only bolting and fixing various fully developed modules or systems;
2. **Tier I Suppliers.** Designing and assembling the modules or systems by sourcing components from lower tier suppliers. For example, first-tier suppliers deliver fully assembled vehicle doors (with the glass, fabric, interior panels, handles and mirrors preassembled), and assembled dashboards with polymers, wood, displays, lights, and switches all mounted. About 75 percent of the vehicle value

is accounted by only 15 modules (Sturgeon & Lester 2004). One section of tier-I suppliers are moving up the value chain to specialise in designing modules;

3. **Tier II suppliers.** Assembling the components by sourcing the parts supplied by lower tier suppliers
4. **Tier III suppliers.** Manufacturing parts and supplying them to component and module assemblers

With the above dynamics, the global value chains of the automobile industry expanded into almost all the regions of the world, and this is well reflected in the high share of automotive intermediate goods in global trade. Of the top-50 manufactured intermediate products in world trade, the share of automotive intermediates stands at 21.4 percent, second only to electronics (Sturgeon & Kawakami 2010).

Asia has been emerging as a major centre of the global automobile value chain. As we can see in Table 5, of the top 10 exporters of intermediate automobile parts from developing economies, six are Asian countries. Moreover, aggregate growth rates (CAGR) from 1988 to 2006 clearly show that Asia has already replaced Latin America and pushed it to the second position. China clearly emerges as world's major centre of automobile manufacturing. Of the other Asian countries, Thailand, Taiwan, Indonesia, the Philippines, and India emerge as the most prominent centres of the global automobile value chain. China is also the biggest market in Asia, followed by Korea, Taiwan, Malaysia, Indonesia, Thailand, and the Philippines. In Southeast Asia, Malaysia is the biggest market, and in South Asia India is the single biggest market. Vietnam is another major production centre and an emerging market for automobiles.

As we have already discussed that even when the expansion of electronics GVC in South Asia and India remained slow, automobile GVC expanded in India comparatively early. By virtue of its large and growing markets and special nature of automobile global value chain (requiring main assembly plants to be located in vicinity of markets and major supply chains located in vicinity of assembly plants and thereby neutralising the drawbacks of lack of regional value chain networks),

Table 5. Top 10 developing economy exporters of intermediate parts for passenger vehicles and motorcycles

ECONOMY	1988 (US$, BILLIONS)	2006 (US$, BILLIONS)	CAGR 1988-2006 (PERCENT)
Mexico	790	27,930	21.9
China[a]	109	26,361	35.6
Brazil	417	7,855	17.7
Thailand	53	6,349	30.5
Taiwan, China	274	5,064	17.6
Turkey	57	3,365	25.4
Indonesia	17	2,904	32.9
Philippines	18	2,564	31.7
India	189	2,190	14.6
Argentina	25	1,579	26.0

Note: a-values for China includes values for Hong Kong as well
Source: Biesebroeck and Sturgeon 2010

India has emerged as one of the important automobile production hubs.

Thailand also needs a special mention here. A promising home market and an advantageous geo-political location along with opportunities created by the formation of ASEAN helped Thailand to emerge as a major production platform for major international automobile players. Due to its advantageous geo-political location, vehicles are manufactured in Thailand to serve regional markets along with national market. One-tonne pick-up trucks manufactured in Thailand is sold world-wide (Kohpaiboon and Yamashita 2011).

It comes out very clearly that along with other factors the size of the market plays most important role in determining the expansion of the automobile global value chain in a particular country or region. This factor also provided the opportunity for some companies, particularly in countries with larger markets, to emerge as stronger automobile brands particularly in their home markets, and gradually emerge as global brands. Examples are the ascendance of Chinese companies, such as Chery and Geely (after the takeover of Ford's Swedish car unit, Volvo) and India's Tata (after the takeover of Ford's Jaguar and Land Rover units in England) to the ranks of the top 20 global automobile brands (Biesebroeck and Sturgeon 2010).

However, it has become increasingly difficult for developing country suppliers to move up the value chain. Initially, the main assembly plants were sourcing directly from the components suppliers and the assembling of modules/systems was done in-house. But global automobile brands increasingly adopted a strategy of reducing the number of tier I suppliers and to source the fully developed modules/systems rather than just the components. Moreover, to increase cost efficiency the brands demanded the suppliers serve the platforms, i.e., supply the same module/components/parts of the same quality and price to many locations and for multiple product models. Thus, suppliers must have the ability to expand production wherever the customer's facilities are.

This strategy demands the suppliers have very high technological capabilities and a global presence. The investments needed to build such capabilities are beyond the capacities of developing country firms. Only in the newly industrialised countries, particularly South Korea, Taiwan and Singapore a few tier I and tier II suppliers emerged. Therefore, automobile supplier firms of developing Asian countries are typically positioned in low value adding operations, mostly below tier II levels. For example, at a foreign-invested manufacturer of fuel system components and wire harnesses in China, only five to six local suppliers were engaged and the local content was only around two percent. Even for simple products, such as wire harnesses, 85 percent of materials were imported from Japan and Korea. In general, the supply chains that are emerging in developing countries are increasingly foreign-owned and with very little space for developing country firms. As a general rule, the core design activities remain concentrated in advanced economies, and many parts and materials continue to be imported for assembly in the local plant (Sturgeon and Lester 2004).

It is interesting to note that even if markets for automobiles are growing in developing countries, they still form only a small percentage of total markets and the developed countries still remain the major markets. This situation may not change soon. Therefore on the one hand, the prime factor behind the shift of automobile production to developing countries is the search for low cost production locations, and the size of markets is the second most important factor. On the other hand, the overall global demand for automobiles is far less than the global production capacities. As of the first decade of the 21st century, excess capacity was estimated to be roughly 24 million units, the equivalent of 96 assembly plants, and the capacity utilisation rates worldwide have fallen significantly since the early 1990s (Doner et.al. 2004). This is true for Asia as well. This situation is intensifying the competition among the global automobile brands and leading to further consolidation by mergers and acquisitions and the removal of other players from business. The consolidation in component industry left only few large players. These trends are visible more or less everywhere. There is also a tendency among auto manufacturers to merge or develop strategic alliances and share common platforms (i.e., using some common parts manufactured by the same suppliers). It is anticipated that only six assemblers will account for some 80 percent of total vehicle output in the next decade, and only those assemblers producing four million units or more a year will survive (Doner et.al. 2004).

These trends are further reducing the scope for Asian developing country suppliers to move up the value chain. We must keep in mind that the protective measures in most of the countries as well as the regional economic integrations (e.g., ASEAN) favour assembly over parts manufacturing, i.e., restrictions on import of vehicles, but not on parts and components. Moreover, there are increasing state interventions to promote bilateral and multilateral trade in parts and components. For example, under the ASEAN Industrial Cooperation (AICO) program, firms pay only 0–5 percent tariffs if 40 percent of the product's value originates in another participating ASEAN country, and under ASEAN Free Trade Area (AFTA) also automotive tariffs are reduced to 0–5 percent. Foreign assemblers and suppliers have established more than 75 bilateral exchange programs under AICO (Doner et.al. 2004). India signed an FTA with Thailand in October 2003 with a provision applicable from March 2006, for duty reduction of 100 percent from existing rates. It benefits, among others, Toyota's Indian auto component joint venture company, Toyota Kirloskar Auto Parts (TKAP), located near Bangalore. That firm was set up in 2004, and produces gearboxes for Toyota assembly plants in different parts of the world, including in Thailand (Nag 2012).

In the above dynamics, some Asian developing countries, particularly those with larger home markets, were able to move up the value chain. For example, Malaysia with its early entry in the global value chain and technological advances that it was able to achieve, moved up the value chain and is one of the major players in manufacturing and export of transport equipments. Aided by their huge, growing domestic markets, many firms in China and India also were able to move to middle levels of value chain, and some, such as Tata Motors and Mahindra & Mahindra in India and Spice in China, emerged as globally competitive brands.

III. Apparel Global Value Chain

The apparel industry is generally considered a stepping stone for developing countries to boost export-led manufacturing growth and integrate into global value chains. It is one of the most labour intensive manufacturing sectors, and more than 25 million workers from developing countries are officially employed in the sector (ILO, 2005). In many developing countries, the textiles and clothing manufacturers together are the largest employers in manufacturing, accounting for up to 75 percent of all jobs in Bangladesh and 90 percent in Cambodia. The industry also accounts for a significant share of GDP in some developing countries (as much as 5 percent in Sri Lanka, 12 percent in Cambodia and 15 percent in Pakistan). While textiles and clothing industries account for only a small percentage of total world manufactured exports (4.5 percent in 2006), in some countries this sector accounts for a much higher percentage of export earnings, up to 80 percent in Cambodia (Keane & Velde 2008).

The global value chain in the textiles and apparel industry was launched in the late 1950s and early 1960s, when the production of textiles and apparel was increasingly outsourced from North America and Europe to Japan. Very quickly, the rapid rise in low-cost imports from Japan displaced a large part of the textiles and apparel production in Europe and North America. The second shift occurred during the late 1970s and early 1980s, when rising wages in Japan compelled manufacturers there to outsource a major part of their production to comparatively low-wage destinations of the comparatively more open economies of east Asia, i.e., Hong Kong, Taiwan and South Korea; and a triangular kind of value chain emerged, wherein Japan moved up the value chain.

But this arrangement was short lived and gradually the brands/buyers from North America and Europe started directly outsourcing to the firms in Hong Kong, Taiwan and South Korea. A third shift occurred in the late 1980s and early 1990s, when with rising wages at home and appreciation of their currencies, the firms in these countries started increasingly outsourcing the major part of their production to new low-wage destinations, mainly in newly liberalised China, and to more open developing economies of Southeast Asia, such as Indonesia, Thailand, Malaysia and the Philippines, and also to Sri Lanka, the only country in South Asia that shifted to the export-led growth model as early as the late 1970s. It is interesting to note that Taiwan, South Korea and Japan were compelled to appreciate their currencies vis-à-vis the dollar after the Plaza Agreement in 1985. During 1985-87, the Japanese yen was re-valued upward by nearly 40 percent and the New Taiwan dollar by 28 percent. In the period 1986-88, the Korean won also appreciated by 17 percent. This was also a prime factor in particular period for a shift of production from these countries to other low cost destinations. In this process again a triangular kind of value chain arrangement emerged, with China and other Southeast Asian countries carrying out the labour intensive manufacturing operations and Hong Kong, Taiwan and South Korea moving up the value chain. The pattern and the dynamics involved was more or less the same as we discussed in earlier sections on the electronics industry. Textiles and apparel firms in newly industrialised countries followed the same path as the electronics firms and soon developed superior manufacturing capabilities and specialised in OEM and ODMs, i.e., emerged as full-range package suppliers with innovative entrepreneurial capabilities for the coordination of complex production, trade and financial networks. During the same period and in the same process, firms in Singapore also moved up the value chain and emerged as OEMs and ODMs. This phenomenon is generally described as the flying geese strategy (Gereffi and Memedovic 2003).

There is another factor linked with the above dynamics of the expansion of global apparel value chains in Asia: Various measures were adopted by North America and the European Union (EU) to protect their domestic industries from highly competitive suppliers such as China. Imports from all foreign countries were limited under a quota and preferential tariff system designed in the International Trade in Cotton Textiles (ICT) under General Agreement on Tariffs and Trade (GATT) in 1962. This was extended to include other materials under the Multi Fibre Arrangement (MFA) in 1974. These 'arrangements' had several major impacts: On the one hand, a limit was put on outsourcing to and imports from those countries that were increasingly emerging as the most preferred producers, such as China. On the other hand, these arrangements helped in the further expansion of the apparel value chain to other low cost destinations, i.e., Southeast Asia (e.g., Indonesia, Thailand, the Philippines, Malaysia and Vietnam) and South Asian countries (e.g., Sri Lanka and Bangladesh). This system set the rules of the game for almost 30 years (Fernandez-Stark et. al. 2011).

The real global shape and structure of the global textiles and apparel value chain emerged only after the phasing out of the MFA in 2005 with the adoption of the Agreement on Textiles and Clothing (ATC) under the World Trade Organization (WTO). With all the previous restrictions and control on outsourcing and trade in textiles and apparel by and large gone or reduced to the minimum, we observe a tremendous expansion and restructuring of the global textiles and apparel value chains across Asia.

In the mean time, there was a surge of larger number of unilateral trade agreements and preference schemes (to be phased out up to 2014-15 but may also be renewed) with specific apparel and textile clauses, in the name of easing the impact of the MFA phase-out. Examples include the CAFTA-DR Tariff Preference Levels (TPL) agreement between the United States and Nicaragua; the African Growth and Opportunity Act (AGOA), a U.S. scheme for sub-Saharan Africa; and the EU's Generalised

System of Preferences (GSP) scheme "Everything but Arms," providing for duty free imports from certain least developed countries (Fernandez-Stark et. al. 2011). The result of all these agreements in real terms was a flood of textile and apparel outsourcing from North America and Europe to low-wage locations all over the globe.

By and large the following factors determined the competitive advantage of various countries in terms of developing as major centres of the global textiles and garments value chain and their position in the value chain:

1. Comparatively low labour costs and more liberalised economic institutions determine the most preferred destinations for low-value segments of the value chain, e.g., China, Cambodia, Bangladesh, India, Vietnam, etc.
2. Early entry in the global value chains and specialisation in design and full package suppliers, determine a higher place in the values chains, e.g., newly industrialised countries and some other early entrants in the value chain, such as Sri Lanka and Turkey
3. Generally the countries with significant presence of textile industries and better scope for diversification have better opportunities for moving up the value chain as full package suppliers.

Geographical location and dislocation of apparel production since 1990s took place in following manner (Gereffi and Frederick 2010):

1. China, Bangladesh, India, Vietnam, and Cambodia emerged as steady-growth suppliers with an overall increase in market share since 1990s;
2. Indonesia and Sri Lanka experienced a loss in market share in some markets and gained in other markets. For example, Indonesia lost in the EU market but gained in the U.S. and Japanese market, while Sri Lanka lost in the U.S. and gained in the EU market
3. All past major suppliers, such as Hong Kong, South Korea, Taiwan and Singapore (which had all moved up the value chain), and also

Malaysia, the Philippines, Macao (China) and Thailand lost market share significantly in overall terms.

We can see the geographical relocation of apparel production and increasing/decreasing share of apparel exports from 1995 to 2008 and the current size of workforce engaged in apparel sector in Tables 6 and 7 below. It is clear from the figures in Table 6 that China emerges as the single most important apparel production centre. Its share of apparel exports increased from 15 percent to 33 percent. The EU remains the second most important exporter (retaining its cumulative share at around 31 percent). Other countries that gained from this relocation are primarily Bangladesh, Vietnam, Cambodia, India, Pakistan and Sri Lanka. The countries in Asia that lost some or the major part of their share include Taiwan, South Korea, Hong Kong, the Philippines, Malaysia, Thailand, Indonesia, and in other regions mainly the U.S., Mexico and Poland. We can see that currently about 50 percent of apparel exports are produced in Asia. Similarly, the greatest portion of the workforce engaged in global apparel production is also in Asia: The largest workforce is in China, followed by Bangladesh, Pakistan, India, Sri Lanka and Cambodia.

The major global apparel export markets are in the U. S., the EU and Japan. In 2008, the European Union accounted for nearly half (47.3 percent) of total world apparel imports of US$376 billion, while the United States accounted for 22 percent, and Japan for 6.9 percent. The cumulative share of these three is as high as 75 percent of the global market. Although it shows a decline, from 82.4 percent in 1995, it is still very high, and effective in terms of impacting the global apparel value chain. The U.S. share declined from 32.1 percent in 2000 to 22 percent in 2008, and that of Japan from 11.5 percent in 1995 to 6.9 percent in 2008. In the meantime the Russian Federation emerged as a new major apparel market and particularly EU-27's export is growing in this region (Gereffi and Frederick 2010).

The global apparel value chain gradually evolved into a completely buyer driven value chain with the following structures:

Table 6. Top apparel exporting countries, 1995 and 2008 (in US$ billions)

COUNTRY	1995		2008	
	VALUE	%	VALUE	%
China	24.0	15.2	120.0	33.2
EU-27 (c)	48.5	30.6	112.4	31.1
Turkey	6.1	3.9	13.6	3.8
Bangladesh (b)	--	--	10.9	3.0
India	4.1	2.6	10.9	3.0
Vietnam (b)	--	--	9.0	2.5
Indonesia	3.4	2.1	6.3	1.7
Mexico (a)	2.7	1.7	4.9	1.4
United States	6.7	4.2	4.4	1.2
Thailand	5.0	3.2	4.2	1.2
Pakistan	--	--	3.9	1.1
Tunisia	2.3	1.5	3.8	1.0
Cambodia (b)	--	--	3.6	1.0
Malaysia	2.3	1.4	3.6	1.0
Sri Lanka (b)	--	--	3.5	1.0
Hong Kong (d)	9.5	6.0	--	--
Morrocco	--	--	--	--
Korea, Rep. of	5.0	3.1	--	--
Taipei, Chinese	3.2	2.0	--	--
Dominican Republic	--	--	--	--
Philippines	2.4	1.5	--	--
Poland	2.3	1.5	--	--
World	158.4		361.9	
Top 15 total	127.5	80.5	315.0	87.0

Note: (a) Includes significant shipments through processing zones. (b) Some years include estimates. (c) EU values include intra-EU trade; values only represent EU-15 in 1995. (d) Domestic exports only. (--) Indicates country not in the top 15 in given year.
Source: Fernandez-Stark et al. 2011

Table 7. Employment in apparel industry (selected countries)

COUNTRY	EMPLOYMENT	SHARE OF TOTAL MANUFACTURING EMPLOYMENT (%)	YEAR
Lesotho	40,364	N/A	2005
Mauritius	76,963	66	2001
Nicaragua	80,500	28	2006
Madagascar	87,000	45	2001
Guatemala	104,464	23	2005
Morocco	176,894	18	2002
Cambodia	250,000	38	2005
Sri Lanka	270,000	20	2008
Romania	403,400	25	2002
Mexico	460,000	12	2005
Turkey	500,000	14	2009
India	463,319	6	2001
Pakistan	2,300,000	43	2001
Bangladesh	2,800,000	N/A	2008
China	19,000,000	19	2004

Note: Data on China, Pakistan and Madagascar includes both clothing and textiles.
Source: Fernandez-Stark et al. 2011.

1. **Original (or own) brand manufacturers-(OBMs).** Rather than handling the design or manufacturing, global apparel brands mainly focus on branding that is emerging as the highest value adding activity in GVC. The brands or the lead firms completely concentrate on the creation, penetration, and defence of markets for their products. Manufacturing, including the design, is completely outsourced. Most of the global brands select their manufacturers from across the globe without investing in their own manufacturing facilities, and without directly engaging at any level of manufacturing (hollow organisations), and control

the whole value chain by virtue of their monopoly on markets and finances. For example, retailers such as Wal-Mart, Sears and JC Penney, athletic footwear companies such as Nike and Reebok, and fashion-oriented apparel companies such as Liz Claiborne, Gap and The Limited Inc. are all "manufacturers without factories", and with the physical production of goods separated from the design and marketing (Gereffi and Memedovic 2003). Moreover, the lead firms no longer want to be the main buyer for any one supplier because of the risks associated with controlling the major share of a factory's output. Generally it is preferred to have 30 percent of a factory's business, but in any case not more than 70 percent. With an increasing share of revenues captured by the retailers, the tendency is for brand owners to become specialty retailers and open their own stores, to sell and promote their products. On the other hand, many retailers are also launching their own brands. Most of the global apparel brands are from developed countries, i.e., the U.S., EU and Japan, and they retain their position mainly by virtue of their traditional leadership in the industry, their control on finances and home markets which still absorbs the major share of global apparel imports.

2. **Contract manufacturers (CMs).**

   a. Original equipment manufacturers (OEMs)/full package suppliers-free on board (FOB). The global brands/buyers, in order to reduce the complexity of their operations, coordination costs and other related expenses, while responding to flexibility in demands and the need for continuous product diversifications, as well as exploiting the benefits of international capital mobility,i.e., being able to easily shift their orders wherever the labour cost is cheapest, have increasingly shifted from the cut-make-trim (CMT) supplier model to the OEM supplier model. OEM suppliers work for multiple brands and they typically manufacture according to customer specifications and design, in many cases using raw materials specified by the customer. They are full package suppliers or free-on-board (FOB)[6] suppliers,

6 The FOB price includes delivery of the products onboard a ship or to another carrier

with the capability of sourcing and financing piece goods (fabric) and trim, and providing all production services, finishing, and packaging for delivery to the retail outlet. Therefore, the brands/lead firms/buyers have shifted all the responsibilities related to manufacturing to the OEMs, and hence all the costs related to production and its coordination are also shifted to the OEMs. With this arrangement and without making any investment in constant capital, the buyers can get the required amount of products of particular designs in a timely manner. They may also launch new product designs in the market in no time without any investment in machinery, and they may also shift their orders to other more profitable locations without facing any problems.

b. Original design manufacturers (ODMs)/ full package suppliers with design. Original design manufacturers generally evolved from OEMs, by acquiring additional capabilities in design. A full package ODM supplier carries out all steps involved in the production of a finished garment, including organising and coordinating the design, purchasing fabrics, cutting, sewing, trimming, packaging, and distribution. They have all the capabilities to launch a competitive product with a new brand, but if they do so, they may lose the business from the existing buyers.

Initially most of the Asian OEM and ODM suppliers emerged from the newly industrialised countries but later many of them moved up the value chain to emerge as service providers/third-party sourcing agents. Recently, many ODMs and OEMs also emerged in developing countries of Asia, for example, in China and India. A recent trend shows that a section of FOB suppliers are evolving into service providers/third-party sourcing agents.

c. Third-party sourcing agents/service providers. Third party sourcing agends or service providers are basically the intermediaries that rather than directly engaging in manufacturing, establish and coordinate a network of suppliers. This model is currently most popular among buyers. These agents are also mostly based in the

at no additional cost to the buyer.

newly industrialised countries of Hong Kong, Taiwan, Singapore and South Korea. For example, Li and Fung Ltd of Hong Kong has a prominent role as a primary purchasing agent for giant retailers such as Walmart and global apparel brands such as Liz Claiborne and Timberland.

3. **Assembly/cut, make and trim (CMT) suppliers.** CMT is a low value adding activity in the global apparel value chain that involves cutting, sewing/weaving, and knitting the fabrics or knitting supplied by OEMs/ODMs or OBMs. This is typically an entry stage in the global apparel value chain, and employs the majority of the workforce in the industry in developing countries.

Looking at the broader picture of the advance of the Asian apparel value chain, we find that major ODM and OEM suppliers are emerging in China, India and Sri Lanka. To a limited extent this movement can also be observed in Bangladesh, Indonesia and Vietnam. In Cambodia, the industry is largely foreign-owned and lacks a domestic textile industry, as is the case in Vietnam as well. Bangladesh's industry is also dominated by foreign firms which import 85 percent of input materials from China, India, Pakistan, Hong Kong and Taiwan. In the general picture, the textile and apparel industry in all developing Asian countries is still largely positioned at CMT level. The majority of the workforce in all Asian developing countries is engaged in CMT only, and moving up the value chain is accompanied with lower value chains moving to low wage locations in the same country (Keane & Velde 2008).

The countries that are more locked at CMT level and unable to move up the value chain, are also those countries with a greater dependence on the garment industry. For example, Bangladesh has the highest total dependence on textiles and clothing as a total share of merchandise exports (83.5 percent), followed by Pakistan (67.2 percent) and Sri Lanka (47 percent). In Bangladesh and Cambodia textile and garment accounts for as high as 77 percent and 90 percent of total manufacturing employment (Keane & Velde 2008).

The nature of the global apparel value chain has a disastrous impact on the economy of the leading apparel producing countries in the wake of any economic crisis. For example, during the recent economic crisis of 2008-09, 10 million jobs were lost in China, one million in India, 200,000 in Pakistan, 100,000 in Indonesia, 80,000 in Mexico, 75,000 in Cambodia and 30,000 in Vietnam. Those countries locked in CMT operations suffered the worst, because they do not have any great opportunity for diversification to reduce the impact, and also because many of these countries are still marginal suppliers in terms of volume in comparison to countries such as India and China. Additionally, during the recession there was a tendency of buyers to transfer business away from marginal suppliers to their core operations (Gereffi & Frederick 2010).

It is interesting to note that countries such as China, Turkey, and India have developed the capabilities that permit vertical integration in the apparel industry and their reliance on apparel exports tends to diminish because their upgrading processes facilitate broader industrial diversification. To reduce the impact of the crisis, we observed a tendency in these countries to reduce their reliance on exports and focus more on sales to the domestic market. This has also accelerated the upgrading processes in terms of moving up the value chain from OEM to ODM and from ODM to OBM. It is worth mentioning that by 2007, the sales in the Chinese home apparel market reached about $93 billion, and about 56 percent of total apparel production in China was targeted at local consumers (Gereffi & Frederick 2010). We have observed similar trends in India but to a lesser degree.

CHAPTER 4

Impact of Capital Mobility and Global Value Chains

With the decisive shift from development models based on import substitution to export-oriented growth based on FDI, and the integration of Asia in global supply chains as discussed in preceding chapters, industrialisation and urbanisation were accelerated in a big way in almost all developing Asian economies. In overall terms the share of the South in world GDP rose from about 25 percent in 1980 to 45 percent in 2010, of which developing Asia alone accounted for two-thirds. China, India and Vietnam clearly emerged as the fastest growing economies.

Being the world's most populous countries, the rise of China and India dramatically changed both regional and global economic landscapes. In 2005, China alone accounted for 5 percent of the world's economy at market exchange rates and 10 percent in terms of purchasing power. It has become the second-largest exporter in the world. India accounted for 2 percent of world output at market prices and about 5 percent at purchasing power parity, and contributed 1 percent of world trade. From 1985 to 2006, total trade (exports plus imports) increased from 24 percent of GDP to 142 percent in Vietnam, from 42 percent of GDP to 66 percent in China, and from 17 percent of GDP to 34 percent in India. More than 90 percent of East Asia's exports are now manufactured goods (mostly electronics), and their technological content is increasingly sophisticated.

Some Asian economies, such as India, China, the Philippines, and Thailand, have become important exporters of services[7] outsourced by foreign companies. For example, India's services outsourcing market has been growing at a rate of 25 percent a year.

In overall terms, the share of Asia in global trade has risen dramatically. Its trade with the European Union more than doubled as a share of its GDP, from 2.6 percent in 1986 to 6.0 percent in 2006. The increase is even larger in terms of the share of the EU's GDP. The aggregate trade data suggests that Asia is steadily integrating regionally as well as globally. Trade within Asia has increased from 37 percent of its total trade in 1986 to 52 percent in 2006. Asia's intra-regional trade share is now midway between Europe's and North America's. It is also higher than that of Europe at the outset of its integration process in the early 1960s. But trade has not been diverted from the rest of the world. On the contrary, in the last two decades, trade with each of Asia's four main partner groups has increased absolutely and also relative to Asia's GDP (ADB 2008 & 2012).

India's delayed and slow integration in GVC is reflected in the fact that in overall picture, traditional forms of international trade still dominate: final goods accounted for about 90 percent of manufacturing exports and nearly 80 percent of manufacturing imports in 2006/07. However, its gradual integration is visible in increasing share of electronics components in total manufacturing exports (from three percent in 1992/03 to 10 percent in 2006/07). The lack of regional integration of South Asian economies is an important factor linked to their delayed integration in GVCs. India's regional trade and sourcing from countries in the region is rising continuously but still at very low level, and also it is more with ASEAN countries and less from SAARC countries. Since 1995, ASEAN countries accounted for about 10 percent of India' manufacturing

7 Such services include the design of information technology programs and applications, call centres and surveying activities, back office administrative work, scientific research operations, the processing of radiological and other medical tests, and financial operations related to venture capital and other businesses

imports, and the share of imports from China, Japan and South Korea more than doubled in the same period from 16 percent to 34 percent. On the other hand, India's intra-regional trade with South Asian countries remains negligible (Anukoonwattaka and Mikic 2011).

Within Asia, the importance of Integrating Asia[8] and particularly East Asia and especially China is very visible. Integrating Asia accounts for 87 percent of the region's population and 96 percent of its output (ADB 2012). East Asia alone produced 32.5 percent of global manufacturing exports in 2008 (ADB 2010) and as we said earlier, China has already emerged as the world's second largest exporter. In general, at global level the trade among countries of the South rose from about 7 percent of the world's non-fuel merchandise trade in 1990 to 17 percent in 2009; developing Asia accounted for about three quarters of South–South trade, and China alone accounted for roughly 40 percent (ADB 2011). In addition, China alone accounted for half of the trade within Asia (ADB 2012).

The trade flows also correspond to FDI flows. Asia absorbed 30.1 percent of world FDI inflows and accounted for 22.2 percent of world FDI outflows in 2012. East and Southeast Asia alone accounted for 24.1 percent of world FDI inflows and 19.8 percent of world FDI outflows. The share of South Asia remained only at 2.5 percent of world FDI inflows and 0.7 percent of world FDI outflows in 2012 (A decline in the share was recorded from 2010 to 2012). Intra-Asia FDI flows in 2005 accounted for about half of Asia's total FDI inflow, all major capital sending and receiving countries being East Asian. Nearly 70 percent of FDI inflow to 15 East Asian economies came from within the sub-region in 2005, one-third of the flow being Japanese and another one-third from Hong Kong. In overall terms, even if the major part of world FDI is still among northern countries, the South's share has grown fast. By 2009, about a quarter of global inward FDI stocks and about 13 percent of outward FDI stocks were in the South. Developing Asia accounted for more than

8 The Integrating Asia include 10 members of ASEAN (Brunei Darussalam, Cambodia, Lao People's Democratic Republic, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam) plus China, Hong Kong, India, Japan, South Korea and Taiwan

70 percent of developing countries' outward FDI stocks. Over half of the FDI inflows to developing Asia are estimated to be regional (World Investment Report 2013, UNCTAD 2006, ADB 2010 & 2011).

Growing regional trade and expansion of regionally integrated global value chains is further accelerated by regional economic integrations, such as ASEAN and SAARC, and bilateral and multilateral agreements. Asian countries have launched a wave of bilateral and multilateral cooperation initiatives. As of December 2007, 44 such agreements had been signed involving one or more economies in Integrating Asia, and 90 more were under negotiation (ADB 2012). Many of these agreements go well beyond WTO coverage in terms of sectors and issues addressed.

The above developments led to a decisive transformation of primarily agrarian economies of developing Asian countries into primarily urban economies in terms of the composition of GDP. In the mid1960s, the share of agriculture in GDP in East, Southeast and South Asia was more than 40 percent, and in 2007 it declined to less than 20 percent in South Asia and less than 10 percent in Southeast and East Asia. The share that was lost by agriculture was gained by industries and services (Broca 2010).

The above developments are also reflected in the exceptionally high growth rates in most of the Asian developing countries, in a situation when the growth rates in developed countries remained dismal or showed a declining trend. Integrating Asia recorded an average annual GDP growth rate of 4.1 percent during 1986-2006, while the EU, the U. S. and Japan recorded GDP growth rates of only 2.4 percent, 3.1 percent and 2.2 percent, respectively, during the same period. The world average GDP growth rate in this period was at 3.8 percent a year.

Among the fastest growing economies in Asia (1986-2006) were China (9.7 percent), Cambodia (8.5 percent), Singapore (7 percent), Vietnam (7 percent), South Korea (6.5 percent), Malaysia (6.5 percent), India (6.3 percent) and Thailand (6.1 percent). Also in terms of GDP per capita Asian countries recorded a high growth rate. In overall terms, Integrating Asia recorded average annual per capita GDP growth of 2.6 percent from 1986 to 2006, China had the fastest growth (8.6 percent), followed by Cambodia (6.2 percent), South Korea (5.7 percent), Vietnam

(5.2 percent), Thailand (4.8 percent), Taiwan (4.7 percent), Singapore (4.5 percent), India (4.4 percent), Hong Kong (4.2 percent), Malaysia (3.8 percent) and Indonesia (3.7 percent). During the same period, the EU and the U.S. recorded only 2 percent average annual growth in per capita GDP and Japan only 1.9 percent. The world average per capita GDP growth rate in this period was only at 1.7 percent (ADB 2008).

However, the economic development and transformation of Asian economies have been in no way comparable with the impact of historical industrialisation of developed countries in relevant phases. Industrialisation in developed countries in the relevant phase led to an overall transformation of economy, society and lives of the people. With the decline in the share of agriculture and increase in the share of industry in GDP, there was also a simultaneous shift of the agrarian workforce to industry. In the relevant phase in Europe, a large section of surplus workforce was transported to America. Therefore in these countries there was no great negative impact of reserve army of labour putting downward pressure on wages and reducing the collective bargaining power of labour. Moreover, in the relevant period, most of developed countries were colonial powers with monopoly on markers and natural resources of colonies. Large scale surplus accumulation from the colonies (which were increasingly developing into intense conflict zones) required comparatively peaceful labour relations at home. All these created a dynamics wherein, on the one hand, informal sectors gradually disappeared, and industrial workers formed the huge majority of the workforce, and on the other hand, related developments increased the collective bargaining power of the working class, thereby enabling it to gradually win relatively decent working conditions and better social security benefits.

In the current phase of globalisation, industrialisation-urbanisation in developing countries has more negative rather than positive impacts. Even if these economies are decisively transformed from agrarian to industrial-urban economies in terms of structure of their GDP, there has been no corresponding decisive change in the structure of the workforce. Even if the share of agriculture in GDP declined drastically, a large majority of the population is still compelled to survive on its tiny agricultural holdings or in various low-paying precarious informal sector jobs. In Asia, about 50 percent of the workforce is still employed in agriculture. From 1980 to 2010 agriculture's share in employment in East Asia excluding Japan declined from 72.4 percent to 58.6 percent, in Southeast Asia from 63.2 percent to 46.8 percent and in South Asia from 67.2 to 51.1 percent (Cheong et al 2013). The average size of land holdings of 85 percent of farmers in Asia is less than two hectares (Memedovic & Shepherd 2009), and they are living in miserable conditions.

It was expected that the creation and expansion of global supply chains might attract FDI and result in overall growth and generate employment in developing countries. It is true that huge foreign investment came to many developing countries, particularly in the emerging markets; and it also accelerated the so-called economic growth rate in these countries. However, compared with the capital invested, not much employment was generated. Most FDI in developing countries is in brown field investments, i.e. acquisitions and mergers, rather than green field investments, i.e., investment to create new firms and industries. Since the 1990s, total brown field investment in developing countries amounted to half of total global FDI (Pandita and Panimbang 2014).

Moreover, the nature of industrialisation that the Asian developing countries are experiencing is different from that of developed countries. The industrialisation in developing countries is based on FDI and export led growth model and from the onset highly anti-labour strategies are adopted to bring and sustain the industrialisation. Therefore, the state and the capital neither bother for creating decent work, nor have any concern for workers as consumers. On the one hand, the cost of subsistence is rising due to skyrocketing prices of necessary commodities. On the other hand, the huge majority of workers in developing Asian countries, rather than getting any decent employment opportunities, are compelled to work as unprotected informal workers or survive in precarious informal sectors. The data show that 23 percent of non-agriculture workforce in East Asia, 34 percent in South East Asia and 40 percent in South Asia are surviving as self-employed workers in precarious informal sectors, and in total informal workers (informal sector workers plus informal workers in formal sectors) account for as high as 65 percent of the non-agriculture workforce (ILO 2002). The proportion of informal workers in Asia (excluding Japan and newly industrialised countries, where the size of the informal sector is very small), is alarmingly high. For example, the proportion of informal employment in non-agriculture employment in India, Indonesia and the Philippines is as high as 83 percent, 78 percent and 72 percent, respectively (ILO 2002).

Therefore, the capitalist transformation of Asian developing economies on the whole resulted in creating a huge reserve army of labour typically surviving on tiny farms or in various low paying and precarious informal sectors. The industrialisation was unable to create significant number of jobs to absorb the surplus workforce from agriculture, and also there was no option available to transport this workforce to some other place of the globe. Therefore on the whole, in all the Asian developing countries, negative impacts of reserve army of labour was consistently felt in terms of continuous downward pressure on wages and minimising the collective bargaining power of labour.

This is reflected in increasing inequalities and decreasing labour's share in total income.

Even if per capita income in many developing Asian countries recorded a significant increase, it does not have any meaning in terms of raising the living standards of the workers and people at large. Inequality is widening alarmingly in almost all Asian countries. In two decades from the early 1990s to the late 2000s, the Gini coefficient, a common measure of inequality, worsened from 32 to 43 in China, from 33 to 37 in India, and from 29 to 39 in Indonesia. In all of developing Asia, the Gini-coefficient increased from 39 to 46 during the same period (ADB 2012, ESCAP 2013).

On the other hand, labour's share in total income is declining steadily in almost all economies in the region. From the mid-1990s to the mid-2000s, labour's income as a share of manufacturing output in the formal sector fell from 48 percent to 42 percent in China and from 37 percent to 22 percent in India. The trends in other developing Asian countries are similar (ADB 2012).

Therefore, we get a contradictory situation, wherein on the one hand, almost all Asian developing countries are increasingly transformed into industrial-urban economies in terms of GDP composition, and almost all of them are recording a high GDP growth rate. On the other hand, a huge majority of the workforce is still compelled to survive on tiny farms or in precarious informal sectors, inequality is increasing, and labour's share in total income is falling. The root cause of this situation lies in the very nature of global value chains, shaped by the new international division of labour and institutionalised by the new global politico economic regime. We break down the dynamics of the situation as follows:

I. Industries Locked In Low Value Adding Positions and the Labour Locked in Low-Wage Conditions

The increase in Asia's share in global and regional trade and in global and regional FDI inflows and outflows is closely linked with the nature of the new international division of labour, shaped in the global value chains. In Asia and particularly Integrating Asia, parts and components forms a large share of overall regional trade. A large share of FDI is also directly or indirectly linked to it. In Integrating Asia, the share of parts and components (PCT) in manufacturing trade shot up from 24.3 percent in 1996 to 29.4 percent in 2006, while during the same period at global level it recorded only a small increase-from 19.6 percent to 20.2 percent (ADB 2008). As a share of GDP, PCT is among the highest in ASEAN (especially in Malaysia, the Philippines, Singapore and Thailand) and in Taiwan. PCT trade among ASEAN countries rose from an average of 35 percent of manufacturing trade in 1996 to 43 percent in 2006, and in China its share nearly doubled over the same period from 12.5 percent to 24.0 percent (ADB 2008).

The integration of South Asia into the global value chains has been slow, but the trend is the same. The share of components in India's total manufacturing exports increased from 3 percent in 1992-93 to 10 percent in 2006-07. The corresponding import share increased from 18 percent to 23 percent during the same period. Trade with regional markets accounted for about 30 percent of India's manufacturing exports. Share of intra-regional imports in total manufacturing imports in India nearly doubled from 22 percent in 1995 to 42 percent in 2010. Components accounted for 14 percent of intra-regional manufacturing exports and 25 percent of imports. Since 1995, ASEAN countries have accounted for about 10 percent of India's manufacturing imports, while the share of imports from China, Japan and the Republic of Korea more than doubled from 16 percent to 34 percent (Witada Anukoonwattaka and Mia Mikic 2011).

The pattern of fragmented production blurs where the exports are ultimately destined. About 73 percent of intra-East Asian trade consists of intermediate goods that are used for production of final goods and about half of the intermediate goods trade is driven by final demand outside Asia, leaving only 21.2 percent of East Asian exports consumed in East Asia (ADB 2007). We can appreciate the real nature of regional trade growth in Asia by keeping this in mind. This also gives an understanding of the fact that even if initially the rise of China was at the cost of shifting production (and FDI) in certain industries from some other countries in the region, the supply chains are shaped in such a way that FDI in China, the main hub of production networks, is positively correlated with FDI in other countries in the region. A 10 percent increase in FDI in China leads to 2-3 percent rise in FDI in other Asian countries (ADB 2008). This is because of the fact that the supply chains of the main production hub are spread across the region.

From the above accounts it is clear that PCT manufacturing and trade (i.e. the emergence of integrated value chain networks) is one of the most important drivers of growth in Asia. However, the nature of the global value chain is such that Integrating Asia remains a net importer of parts and components. China, being the hub of regional production, faces particularly larger deficits. In 2006, China's imports of parts and components accounted for 37 percent of its total manufacturing imports, while exports accounted only 15.5 percent of manufacturing exports (ADB 2008). This is precisely because high value adding operations in the global value chains are under the strict control of TNCs and located in developed countries. The deficit is due to the huge value of imports of high-tech intermediate products from the EU, the US and Japan. The situation is similar in other developing Asian countries as well.

The whole dynamics of the international division of labour is such that developing countries are typically locked at the low value adding, and highly labour-intensive ladders of the global value chains. Moving up the value chain requires a pre-existing global presence and high technological capabilities (and a skilled workforce of significant size) that acts as an effective barrier for firms in developing countries. A nation's colonial past, during which it faced de-industrialisation and for exceptionally longer periods was locked in the pre-industrialisation stage, places it at a disadvantage even decades after the removal of the colonial power. Because of their late industrialisation, there are yet very few, if any, enterprises with high technological capabilities and a global presence, nor they have a skilled workforce of significant size. And the global value chains, rather than assisting in the acquisition of these capabilities, demand a pre-existence of these capabilities to secure a high value-adding position in the GVC. Moreover, acquiring the technological capabilities has become highly expensive. Equipped and protected by all sorts of intellectual property rights, the TNCs exercise an effective control over the technology and are never willing to share it with firms in a developing country. In such situations, many times, to acquire the technological capabilities the only option left is acquisition of a firm in a developed country. Obviously this option can be taken up only by very few comparatively large firms with strong finances, and these are likely to be mainly in comparatively larger economies such as India and China where some large firms were able to emerge, taking advantage of some special historical and politico-economic situations.

The structural dynamics of the global value chain that seems to be emerging in Asia can be briefly highlighted here. TNCs of developed countries (North America, Europe and Japan) acquired the position of OBMs and also to a large extent that of ODMs and OEMs and monopolised the high value adding, technology intensive operations largely in their home facilities.

The newly industrialised countries, South Korea, Taiwan, Hong Kong and Singapore, decisively moved up the value chain, mainly by virtue of their special historical, economic and political post-WWII links with the West that have facilitated their early entry into the global value chains, and the emergence of powerful corporations possessing high technological competence, largely with active support from governments. Within the general commonality, there has been diversity such that South Korea was able to move up to the OBM level, Taiwan specialised mainly at the ODM level, and Hong Kong and Singapore specialised in OEMs and service providers, i.e., as managers and financiers of the value chains.

The most recent entrant in this group is Malaysia, which was able to move up the value chain in a similar way, mainly by virtue of its early integration in the GVC and its close links with the Singaporean economy. The most important factor was its focus on non-resource intensive industries from the outset, rather than labour and resource intensive industries as is the case with rest of the Asian developing countries including China and India. Malaysia's jump to the higher level of the value chain is well reflected in its transformation into a middle income economy. A decade ago, Malaysia's electronics industry had achieved more or less the same position as China has achieved in 2014, although obviously on a smaller scale. Malaysia has particularly strong positions in the photovoltaic (PV) industry, the medical devices industry (MDI) and transport equipment industry (Yunus 2012 and World Bank 2011).

The upward movement in the value chain is also evident in particularly larger developing economies of Asia, for example, in China and India. The major factor is precisely the larger size of these economies and their larger markets that has helped in the emergence of some powerful national corporations in certain sectors. In China, an additional factor is the state's determined emphasis on R&D and its active support to state-owned enterprises (SOEs).

In China, technology transfer was one of the important elements in joint ventures with foreign enterprises. The system of incentives for foreign investors was designed in such a way to promote high-tech investments and those investments with better opportunities of technology sharing. Moreover, the policies frequently included explicit provisions for technology transfers in the form of local content requirements. It is also worth mentioning that China moved decisively towards developing its technological capacities and its success has been reflected in the number of patents registered in China: By 2008, a total of 411,982 patents had been registered in the country, a level not far behind Japan, the current world leader in new patents (Pratap 2013). Moreover, China aggressively moved to acquire many firms in developed countries, chiefly seeking to acquire technologies and establish its own global brands. One such acquisition was China's takeover of Volvo, the Swedish carmaker that has been bought by Ford Motors of the U.S. and Lenovo's acquisition of IBM's PC division. These factors, along with the huge domestic market, also helped many Chinese firms emerge as powerful local brands and a large number of firms specialising as OEMs. This emerges as a general trend in many sectors in China. In India also emergence of a number of national brands with significant share of national market in various sectors including automobiles, electronics, garments, medicine etc reflects on this trend, however, at lower scale than in China. In India only few larger corporations were able to acquire technologies by acquisition of developed country firms, and very few corporations were able to emerge as global brands. These include Tata's acquisition of Ford's Jaguar and Land Rover in England, Mahindra & Mahindra's acquisition of Korea's Sangyong motors and others.

In other Asian developing countries, where the tendency of moving up the value chain is visible, it is only in a particular industry in which the country acquires an important position such as the garment industry in Sri Lanka and Bangladesh, and the automobile industry in Thailand. A number of firms in Sri Lanka and Bangladesh are seen emerging as competent OEMs. The creation of ASEAN and signing of FTAs led to a transformation of Thailand automotive industry, from one which was mainly focused on auto parts production to one more focused on CBU vehicles. The FTAs went beyond the WTO in terms of tariff liberalisation and included those on automotive products and vehicles. With this added factor, combined with the advantage of a promising home market as well as an advantageous geo-political location, Thailand emerged as one of the major production platforms for major players in the international automobile industry and has been ranked the 13th largest automotive exporter in the world, and the third largest in Asia, after Japan and South Korea. Vehicles manufactured in Thailand are not only distributed to the home market but also to regional markets. Most importantly, the one-tonne pick-up trucks manufactured in Thailand is sold world-wide, including to Europe and the Middle East. With these developments, there has also been a steady increase in the vehicles' local content (Kohpaiboon and Yamashita 2011).

The above structure of the Asian economy is also very well reflected in the various Asian countries' share of world outward FDI (Table 8). Among the Asian countries with largest share in world outward FDI are those positioned at higher levels of the value chain, i.e., Japan and the newly industrialised countries (Hong Kong, Taiwan, Singapore, South Korea), and those fast climbing up the value chain ladders, i.e., the emerging Asian economies that have already positioned themselves higher on the ladder, i.e., Malaysia, China and India. Hong Kong and Singapore account for huge share of outward FDI from Asian countries, and this reflects their positions higher on the ladders of the value chains, playing the roles of financiers and managers of value chains and emerging as regional trade and finance centres. Hong Kong's position at the top is because of the fact that most of China's trade and FDI outflows and inflows are routed through Hong Kong. In all, 51.2 percent of China's inward FDI came via Hong Kong and 63.0 percent of outward FDI from China went to Hong Kong in 2009 (Li 2013).

The recent developments in the GVCs in terms of Malaysia, China, and India moving up the value chains is also reflected in the fact that TNCs, Petronas of Malaysia and the CITIC Group and China Ocean Shipping Company of China are ranked in the top 100 non-financial transnational corporations based on their foreign assets (UNCTAD 2013). In addition, 89 Chinese companies and 8 Indian companies were listed in the Fortune 500 companies in 2013, and China's three companies, Sinopec, China National Petroleum Corporation and State Grid Corporation of China, were ranked among the top ten in this group (Fortune Global 500).

However, upward movement in the value chain in China and India cannot be compared to that of the newly industrialised countries. In

Table 8. FDI outward stock, by region and economy 1990-2012 (US$ millions)

REGION/ECONOMY	1990	2000	2012
World	2,091 496	8,025,834	23,592,739
East Asia (excl Japan)	49,032	551,714	2,243,384
South-East Asia	9,471	84,736	596,075
South Asia	422	2,949	123,715
Hong Kong	11,920	435,791	1,309,849
Japan	201,441	278,442	1,054,928
China	4,455	27,768	509,001
Singapore	7,808	56,755	401,426
Taiwan	30,356	66,655	226,093
South Korea	2,301	21,500	196,410
Malaysia	753	15,878	120,396
India	124	1,733	118,167
Thailand	418	3,406	52,561
Indonesia	86	6,940	11,627
Philippines	405	1,032	8,953
Pakistan	245	489	1,524
Sri Lanka	8	86	520
Cambodia	0	193	423
Bangladesh	45	69	159

Source: UNCTAD 2013

the newly industrialised countries largely the whole industry moved up the value chain and labour intensive manufacturing operations were shifted to low wage countries. However, in China, India (and also in other countries where industry specific upward movement in the value chain is observed), only some firms are moving up the value chain and industry in general remains at low value adding positions of the value chain. This is reflected in the fact that total value added in Indian manufacturing still constituted only 20 percent of the value of output of the organised manufacturing sector, and in electronics industry, it has been as low as 5-10 percent (Pratap 2013). Moving up the value chain is accompanied with shifting of labour intensive operations to largely the hinterlands (low wage locations) of the same country, rather than to other countries.

However, China emerges as an exception in this regard where this shift is not only to hinterlands of the country but also to other countries particularly in garment sector and to some extent also in electronics. In recent years garment orders were shifted from China to Cambodia and Bangladesh, and many labour intensive firms in electronics were also closed down. However, in overall picture the Chinese industries are still at the low value adding positions and China still remains a centre of low cost manufacturing. The major trend still remains that the industries in major special economic zones moved up the value chains and the wages went up and the labour intensive operations were shifted to new industrial areas in low wage locations in hinterlands. For example, some inland provinces, such as Chongqing, now attract almost as much foreign money as Shanghai.[9] This further put upward pressure on wages in major special economic zones, because with new industrial areas emerging in hinterlands the flow of migrant workers (source of cheap labour) to major special economic zones declined significantly. Therefore, shift of investments from China reflects more on rising wages and largely the saturation of economy in terms of availability of significant supply of workforce, and less on industries moving up the value chain. Moreover, it also appears that the shifting of orders from China is also part of the strategy of global brands to diversify their operations to reduce risks. Concentrating all production in one country always brings a risk for the global brands and therefore extending the value chains to other countries is always in their strategy. But with all considerations, it is clear that the trend of upward movement in value chain is stronger in China than in other Asian developing countries. With increase in wages in China, orders worth tens of billions of dollars

9 The end of cheap China: What do soaring Chinese wages mean for global manufacturing?; The Economist, March 10, 2012; http://www.economist.com/node/21549956; and China's Rising Wages Propel U.S. Prices; The Wall Street Journal, May 9, 2011; http://online.wsj.com/news/articles/SB10001424052748703849204576302972415758878

have shifted from China to various countries mainly in Southeast Asia, interestingly; no single country in this region could absorb this much of orders on its own.[10] This gives a clear signal that China is compelled to move up the value chain in terms of specialising in OEMs, ODMs and OBMs, and in general it may lose in low value adding manufacturing industries, such as garments, and therefore may be compelled to focus more on high value adding industries.

Another dynamics that has emerged in emerging Asian economies such as India and China that may play a role in their positioning in the value chains is also worth mentioning. Largest share of outward FDI from a number of comparatively powerful transnational corporations that are emerging in China and India (also Malaysia), are targeted to acquire natural resources (oil fields and mines), to get access to technologies by acquisition of developed country firms, and to emerge as global players in service sectors.[11] For example, largest portion of outward FDI from China is invested in mining ($13 billion), followed by leasing and business services ($20.47 billion), financial intermediation ($8.73 billion), wholesale and retail trades ($6.14 billion), and manufacturing ($2.24 billion). This is also reflected in the fact that most of China's outward FDI goes to developed countries, and more than half of the outward FDI is in mergers and acquisitions in most of the years between 2003 and 2009. Similar trends have also been observed with India's TNCs (Li 2013 & Khan 2012).

To sum up, the expansion of global value chain in Asian countries is aimed at resolving the crisis of falling rate of profit in developed countries, by way of exploiting cheap labour in typical conditions of low organic composition of capital in developing countries. The nature

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10 Cambodia's low wages lure manufacturers away from China, other countries; http://www.washingtonpost.com/world/asia_pacific/cambodias-low-wages-lure-manufacturers-away-from-china-other-countries/2013/01/07/ab1f5a7a-58f1-11e2-9fa9-5fbdc9530eb9_story.html

11 For example, the expansion of construction services by Chinese firms has grown to the extent that it has now overtaken the U.S. as an international contractor, and in 2010, it had almost 15 percent of the global market in international contracting, with 25 percent of the Asian market and nearly 40 percent of the African market (BWI 2013).

of value chain is such that only a negligible share of value is captured in the developing countries and the rest is captured by the transnational brands of developed countries. For example, the entire labour cost for the production of a pair of $149.50 basketball shoes (if produced entirely in Vietnam), was only about $1.50 or about 1 percent of the final retail price in the United States (Foster et al 2011). Only $4 of the $299 retail price of an Apple is captured in China, where they are assembled and tested by Inventec, a Taiwan-based ODM contract manufacturer, and the share captured by domestic Chinese companies is very low and probably limited to packaging and local services (Sturgeon and Kawakami 2010). This situation has disastrous impacts on labour in terms of:

1. The majority of industries and the majority of the industrial workforce are locked in low skilled and low wage situations with very little if any scope for upward mobility
2. A section of people, mainly those engaged in helping, running and managing the global supply chains in developing countries in various ways, benefit in a big way by the expansion of global value chains, the surge in trade and growth in GDP. This section forms the expanding middle class in these countries, and they actually benefit at the cost of labour. This is well reflected in the gap between the earnings of the middle class and that of the workers directly engaged in production and services. This is one of the most important reasons for the rising inequalities in almost all developing Asian countries;
3. With this dependence on global value chains, all the countries are compelled to face the worst impacts of any kind of crisis in the world economy. The crisis of 1997-2000 brutally exposed this fact. The countries with the greater dependence on exports face more disastrous impacts. For example, the U.S. market absorbs 25 percent of Malaysia's total exports and 40 percent of its electronics exports. The impact of 1997-2000 crisis on Malaysia was the most disastrous and an estimated 150,000 to 165,000 jobs in its electronics industry were lost. It was also a point when Malaysian electronics industry started experiencing a downturn and a large

number of laid off workers were not rehired even after the crisis. During the 2008 crisis, a large number of jobs were lost in apparel industry of developing Asian countries, including 10 million job losses in China, 1 million in India, 200,000 in Pakistan, 100,000 in Indonesia, 80,000 in Mexico, 75,000 in Cambodia, and 30,000 in Vietnam (Gereffi & Frederick 2010, Ernst 2004).

4. The import bill of developing countries (of high value-added parts and components) is rising alarmingly (for example, India's import bill for electronics is reaching near to that of oil) and creating additional economic and monetary dangers that ultimately could bring even worse conditions for labour in terms of inflation, increasing the cost of living, etc.

II. Accumulation By Dispossession And Expanding Reserve Army of Labour

The integration of Asia in global value chains accelerated accumulation by dispossession in various Asian countries to an alarming degree. This has been seen in the large-scale land acquisitions for urbanisation, infrastructure projects and industrial development resulting in mass destruction of livelihoods and mass displacement of people.

Along with large scale land acquisitions for industrial zones in many Southeast Asian countries, governments have pursued policies of allotting large tracts of so-called unused and vacant land to foreign and local investors to undertake projects supposedly aimed at boosting economic growth and creating jobs. Normally these projects involve large-scale plantations for cultivation and processing of key agricultural commodities for export, but they also include mines, hydroelectric dams, special economic zones, tourist resorts and other projects. It is to be understood here that in many Southeast Asian countries, these so-called unused and vacant lands are not really vacant; they have actually been cultivated by farmers for decades, many of them without any legal document to prove their rights to the land. Therefore, the land acquisitions resulted in the destruction of their livelihoods and mass displacement; many of them do not receive any compensation because of the lack of legal documents to prove their right to that land. We have observed large-scale dispossessions in Cambodia, Indonesia, Thailand, India and other countries in more or less the same manner. For example, in Cambodia more than 400,000 rural people have been affected by land acquisitions since 2003. In most cases the land was allotted to the corporate in the form of a long-term lease, and at throwaway prices. This has created a bitter conflict between farmers and the corporate and rising discontent on this issue has resulted in mass unrest in the affected regions (Cherry 2013).

In China it has taken a different dimension: The dismantling of the commune system and the implementing of the household responsibility system in agriculture amounted to a dispossession of all peasants in terms of denying them any land ownership rights and converting them into tenants (i.e., with long-term leases on the land). The Chinese farmers were compelled to pay numerous levies along with an agriculture tax. It was like a large-scale systematic open loot of the peasantry. In the next stage large-scale acquisitions of agriculture land and the sale of land use rights to private businesses took place, with very little compensation to farmers. For example, in one case in Yunnan Province, the state paid compensation of Rmb28,000 per mu[12] to the collective of farmers, and then sold its land use rights to businesses for Rmb150,000 per mu (Leong and Pratap 2013). In some cases of land acquisitions, especially when the land was acquired for special economic zones, i.e., the whole area was converted into a zone, the dispossessed farmers were in a winning position in terms that they got residential flats in city centres and urban residency certificates that were linked with better social security benefits. But in cases of land acquisitions other than special economic zones, the farmers lost their livelihoods without any better alternative.

In India, there has been large scale land acquisitions for various kinds of infrastructure and industrial projects that resulted in the mass destruction of the livelihoods of farmers, forestry workers, fishery workers and workers engaged in various other traditional occupations.

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12 A mu is approximately one-sixth of an acre.

Nearly 600 special economic zones (SEZs) have been approved and many others are planned. It is estimated that nearly 200,000 hectares of mostly multi-crop agricultural land (capable of producing close to one million tons of food grains) will be acquired for these SEZs, resulting in the loss of livelihoods and displacement of about 114,000 farming households (each household on an average comprising five members) and an additional 82,000 families of farm workers who are dependent upon these farms. Thousands of people have already lost their livelihoods and been displaced. It is to be kept in mind that in India the average size of a landholding is very small and in many areas the tribal forest workers do not possess any legal proof of their rights to the land. In these situations, the peasants have received very little compensation and forest workers were dispossessed without any compensation at all. In many cases the villagers lost their grazing lands, water resources etc. Polluting industries affected the forest vegetation and polluted water resources leading to further destruction of livelihoods. Strong anti-land acquisition movements emerged in many states of India. It was actually the force of anti-land acquisition movements that dispossessed the left front government from West Bengal (Pratap 2013 SEZ).

Land acquisitions are not the only factor leading to the dispossession of people from their livelihoods. There are many other processes which bring a similar impact. We can make reference to only a few cases here. For example, in India, the expansion of the global supply chain of the fisheries industry was strengthened with the Deep Sea Fishing policy and institution of Exclusive Economic Zones (EEZ) allowing joint venture vessels. Suddenly there was a flood of joint ventures of big Indian corporate, such as Tata, Mahindra and Mahindra, ITC, Hindustan Lever, and Dunlop which set up companies such as INDFISH Ltd, Fortune International Ltd, Inchita Fisheries Ltd., while multinational giants such as Consolidated Seafood Enterprises of the U.S., Chevanne Merceron Ballery of France, AM Produkte of Germany and Mitsubishi Corporation of Japan also took advantage of the opening. The entry of these corporate fleets in the Indian Ocean resulted in the virtual dispossession of 12 million Indian fisher folk from their livelihoods.[13] The fishermen were not allowed to enter the EEZs. In many other regions they are unable to catch any fish. In many coastal areas the industrial pollution and port activities have aggravated the problems further. Discontent among the local fishing communities led to the emergence of a strong fish workers' movement in coastal states led by the National Fish Workers Forum (NFF). Similar trends have also been observed in Indonesia and other Southeast Asian countries.

Governments in most Asian countries have allowed or are increasingly allowing multinational retail brands to open retail chains in domestic markets. In India this process started only recently: The government has approved foreign direct investment (FDI) in multi-brand retailing with 51 percent foreign ownership (100 percent in single brand retailing). It is worth mentioning that the retail sector provides a livelihood to millions of small retailers, who are mainly self-employed. It is only natural that the entry of corporate and multinational retailers will lead to the dispossession of millions of these retailers of their livelihoods. The government is forecasting prospective gains through expected annual tax revenue of US$16.2 billion from the multinational retailers,[14] but is not concerned with the loss of the livelihoods of millions.

The issue is not only raising concerns for small retailers but also for farmers, suppliers and manufacturers. It is feared that the multinational retailers may not necessarily source their supplies from the local farmers, suppliers, and domestic manufacturers. Moreover, with a monopoly of TNCs on markets the local farmers, suppliers and manufacturers may have very little bargaining power with them. A similar phenomenon is seen emerging in the waste management sector. New policy on waste management promotes privatisation of this sector and facilitates the entry of corporates in this business.

13 Souparna Lahiri, Imperialist Globalisation of the Indian Seas and the Fishworkers' Struggles; http://www.revolutionarydemocracy.org/rdv4n2/fishwork.htm

14 Hiranya K Nath (2013). "Foreign Direct Investment (FDI) in India's Retail Sector" Space and Culture, India 2013, 1:1; http://www.spaceandculture.in/index.php/spaceandculture/article/view/17/7

This will result in the loss of livelihoods for millions of waste pickers. Similar processes with similar impacts have been seen in many other developing Asian countries.

Moreover, large scale privatisation of public sector enterprises accompanied with downsising has led to the loss of employment for millions and actually resulted in permanent loss of a secured space of decent jobs for socially excluded sections of the society, for example, Dalits and Tribals who enjoyed reservation in public sector jobs.

It is ironic that the loss of livelihoods in the above processes is thousands of times more than the new jobs created by the expansion of global value chains. On the whole the picture of development emerges as jobless growth. For example, foreign-invested enterprises in China accounted for about 55 percent of exports and imports but their contribution to employment was only 5 percent (Li 2013). Moreover, the jobs created are in no way better than the livelihoods that are lost. A huge proportion of the new jobs are in the nature of informal employment without any job security or social security. This is reflected in dramatically rising proportion of informal workers in the formal sectors in most developing Asian countries.

It is in the above processes of large scale dispossession that large sections of society are left without any opportunities for alternative and decent livelihoods. The high economic growth rates in Asia's developing countries are in fact aggravating the problems of inequality to alarming levels, and creating a huge reserve army of labour continuously putting downward pressure on wages and creating a labour market ensuring a sustained supply of cheap and flexible workforce.

It is in this light that we can understand the emergence of the huge informal sectors that are nothing but a home for reserve army of labour. This is an ongoing process: A small portion of the informal sector workforce, mainly the home based workers and a section of self employed primary producers, are assimilated into the global value chains and converted into cheap labour in their own fields and workplaces. The rest of them are either dispossessed or in the process of being dispossessed and emerge as part of the reserve army of labour either in the form of floating labour or as precarious informal sector workers.

III. Declining Collective Bargaining Power and Worsening Conditions of Occupational Health and Safety

For developing countries, the dynamics of development based on FDI and exports brings a kind of dependence on foreign capital such that getting a significant share of FDI and export orders from developed countries becomes a question of life and death. The competition among developing countries to provide TNCs with the better prospects for profit maximisation, takes the form of an all round privatisation, offering huge tax benefits, and lower costs of production i.e., cheaper natural resources and low cost flexible labour force. In almost all Asian countries, informalisation of labour is increasingly allowed to the extent that as of 2014, informal workers formed the majority of the industrial workforce. Increasingly, self-certification of compliance with the labour laws, including occupational health and safety laws has become the norm, and it leads to rampant violation of labour laws. By way of national policies, regional economic integrations and bilateral-multilateral agreements, the states are removing all trade barriers and all restriction on capital mobility, generally by going beyond the WTO. This creates a situation where the labour market for capital has no boundaries, while the job market for labour is systematically restricted to national boundaries. International capital mobility compels the states and also provides them justification for repressing labour and denying right to organise and collective bargaining apparently to stop the flight of investments. On the other hand, The risk of loosing the job weakens the labour. These situations also blur the consciousness of workers and many times they start articulating the issues with nationalistic perspectives and do not oppose the anti-labour policies apparently targeted to retain or attract investments. The cumulative impact of these situations effectively reduces the collective bargaining power of labour and increases the bargaining power of capital.

While in the new international division of labour, transnational capital controls the whole global value chain, it is largely not directly involved in the production process anymore, i.e., it is increasingly distanced and detached from the factors of production. Therefore, it has no concern or compulsion for the well-being of the factors of production- the labour and the natural resources that it uses. At the same time, due to the country's dependence on exports, national (home-based) capital and the nation states also worry more about offering competitive, profitable investment opportunities for TNCs, than showing any concern for local factors of production. It is in this light we can understand the wasteful destruction of natural resources, growing environmental problems and alarming increase in the number of workers suffering and dying due to occupational health and safety problems. Globally, every year more than two million people die from work-related diseases and 321,000 people die in occupational accidents. Moreover, 160 million incidents of non-fatal work-related diseases and 317 million non-fatal occupational accidents are recorded every year due to poor and inadequate occupational safety and health conditions. In other words, every 15 seconds one worker dies from a work-related accident or disease and every 15 seconds 151 workers face a work-related accident. In Asia and Pacific alone more than 1.1 million people die from occupational accidents or work-related diseases. It is worth mentioning that this is only the reported data gathered by the ILO, and the real picture may be far more horrifying. According to ILO estimates, the annual loss due to occupational illnesses and accidents is as high as 4 percent of global GDP. The total cost of occupational injuries and diseases is very high for the society. Millions of workers continue to be at risk of pneumoconiosis (including silicosis, coal-worker's pneumoconiosis, and asbestos-related diseases) in Asia, due to widespread exposure to silica, coal, asbestos and various mineral dusts in mining, quarrying, construction and other manufacturing processes. In China, pneumoconiosis make up more than 80 percent of all cases, in India about 10 million workers employed in mining, construction and various industries are exposed to silica dusts. Silicosis prevalence rates in India are found to be 54.6 percent among slate pencil workers and 35.2 percent among stonecutters, and 18 percent among coal-workers. In Vietnam, pneumoconiosis account for 75.7 percent of all compensated occupational diseases (ILO 2008 and 2013).

Moreover, the new international division of labour has been converting Asian developing countries into pollution havens. For example, the share of dirty industries in total FDI in India was as high as 51 percent in 1991-2000. Among most polluting industries (classified as 'red' industries) energy sector accounted for 27.4 percent of dirty FDI, chemicals 4.5 percent, transport 7.5 percent, metallurgy 5.5 percent and food processing 3.5 percent. Among 'orange' industries hotels and tourism accounted for 1.7 percent and textiles 1.2 percent of dirty FDI. India's 75,000 km long coastline has already been converted into a destination for the waste disposal of the entire world. Growing amounts of lead ash, battery scarp, zinc ash and waste oil as well as old ships laden with asbestos are increasingly dumped on its shores. A huge amount of plastics and metal waste are coming to India from Australia, Canada, the UK and the U.S., apparently for recycling. The pollution content ratio of India's trade increased from 0.480 in 1985 to 1.38 in 2000. Moreover, excessive use of ground water and the pollution of water bodies by industries are putting heavy pressure on already depleted water resources and severe water crises are emerging in different regions of the country. Moreover, land acquisitions in the name of accelerating industrial growth are also affecting large number of water bodies, forests, wet lands and other environmentally sensitive areas, are being acquired and transferred to the corporate (Birundha 2008).

IV. The Impact on Labour in Developed Countries and Scope and Limits of International Solidarity

The labour in developed countries is equally affected by the new international division of labour. Jobs are increasingly shifted to developing countries and at home the unemployment is increasing at alarming rates. As we have already discussed in preceding chapters that many social democratic parties and trade unions with a major membership base among unskilled workers strongly opposed these policies, but gradually were weakened, marginalised or even wiped out, mainly because the low-skill based industries soon disappeared and with their demise their membership base was also eliminated. These factors resulted in drastic decline in collective bargaining power of labour that is reflected in the cuts in social security benefits and in deteriorating social security structures in many developed countries in the 21st century. On many counts, the working conditions in general deteriorated there as well. Job security is gone for the major section of workforce across industries and sectors including public services and the level of social security benefits are effectively reduced in most of the countries. Moreover, a significant section of workforce is facing unemployment, and in given situations of deteriorating social security systems their problems are aggravated many folds.

All this forms the basis of international solidarity of workers against the global capital and the new global politico-economic regime. International solidarity gets added significance in a situation when the labour of North and South are part of the same production chains and they may effectively impact the global capital only when they are able to unite them across the production chains of a particular product they are collectively producing.

However, there is another dynamics as well. In order to provide a justification for shifting industries to developing countries and pacify the discontent among workers against rising unemployment, a consciousness is systematically being created among the working class in developed countries that new international division of labour i.e., exploiting the labour in developing countries, subsidise their living by reducing the cost of commodities consumed in developed countries. It may be partially true also. Moreover, in the new international division of labour, main focus in developed countries is on research and development (R&D) and technically sophisticated high value adding operations in various industries. This led a transformation in the nature of industries as well as that of the workforce in developed countries. Mostly industries are positioned at the top ladders of the value chain that enables them to capture major share of surplus value (profits) produced by labour in developing countries; and majority of workforce is positioned at comparatively high wage levels and decent working conditions. The higher wages of these workers engaged at the top levels of GVC is precisely due to control and monopoly of transnational corporations on crucial technologies that enable them to capture exceptionally high value for the components and products they produce in their home facilities. If the developing countries are able to acquire these technologies then they may be able to produce the same so-called high value adding components and products at comparatively lower costs by engaging comparatively low paid workers; and this situation may effectively put downward pressure on wages of developed country workers or they may even lose their jobs. Therefore, the developed country workers may not be willing to support the upward value chain mobility of developing country industries, and on the other hand, this may be crucial to create a dynamics of upward mobility of labour in these countries.

These situations blur the consciousness of workers in developed countries and they also fall in a trap of articulating the issues with nationalist perspectives, similar to developing country workers.

The scope and limits of international solidarity can be appreciated in the above background. The serious impacts on new international division of labour on workers of South as well as North and the need for unity across the value chain to increase the collective bargaining power of labour vis-à-vis capital forms the basis of international solidarity of workers against the global capital and the new global politico-economic regime. However, the nationalist perspectives among both the developed and developing country workers limit the scope of international solidarity. Another dimension of international solidarity that emerges from the specific power that working class of developed countries has acquired as major section of global consumers is the solidarity action in the form of demanding better working conditions in developing country factories producing commodities that they consume. It emerges as an effective weapon to put pressure on TNCs to respect labour rights in their value chains. This form of solidarity has mixed dimensions of brotherhood and humanitarian concerns, and it has its own limits. As we discussed earlier, the consciousness systematically created among working class that exploitation of developing countries subsidise the living of developed country workers, to whatever extent it holds truth, creates another dynamics and limits the scope of greater solidarity actions.

Workers Dying in Electronics Factories

"In the first five months of 2010 at Foxconn Technology Group's giant 300,000-worker electronics assembly plant in Longhua in China, 16 workers attempted suicide by jumping off the top of tall dormitory buildings. Twelve died and four suffered crippling injuries. At least 20 other workers were restrained before committing suicide. All the workers were between 18 and 24 years of age and were migrants from rural areas of western China. By the end of May 2010, at least 49 young semiconductor workers had contracted cancer — including 32 cases of brain cancer, leukemia and lymphoma — while working at Samsung's huge electronics plants throughout Korea. Nineteen deaths have occurred, mostly to workers in their 20s. Samsung denied the cancers were work-related, but a Korean magazine reprinted an internal Samsung handbook outlining the use of at least six carcinogens at its plants, including arsine, benzene, and trichloroethylene. In March 2010, China's State Administration for Workplace Safety (SAWS) confirmed that 47 workers at the United Win cell phone plant in Suzhou, China, had been hospitalised in the last year for n-hexane poisonings resulting in peripheral neuropathies, severe muscle atrophy and long-term disabilities. United Win workers had uncontrolled exposures while using the solvent to clean touch screens of computers and phones." (Brown 2010)

According to another report, "In the last few years, dozens of cases of occupational illness have been discovered among workers employed by Samsung Electronics and its subsidiaries…. 145 cases of serious occupational illness have been reported at Samsung Electronics and its subsidiaries. In 56 cases, the individuals involved (mostly young workers in their 20s and 30s) have died. However, the number of Samsung Electronics workers who have passed away or are currently suffering from such illnesses is thought to be much higher.… Of all the illnesses reported, cancers involving the lymphatic system (e.g. leukaemia, lymphoma) are the most common. There are many cases, as well, of brain tumours and breast, skin and lung cancer. Illnesses related to the nervous and immune systems, such as multiple sclerosis, multiple neuritis and Lou Gehrig's disease, have also been discovered, as have been psychological disorders such as depression, panic disorder and schizophrenia. These and other mental illnesses result from the fast-paced rigidly controlled working environment at Samsung Electronics worksites. However, Samsung denies these claims." (Han et al 2013)

Mass Fainting of Exploited Garment Workers on Shop Floors in Cambodia

Beginning in 2010, a waves of incidences of mass fainting of garment workers on the shop floors were reported in Cambodia. In one incident after another, hundreds of women workers collapsed to the floor of their factories at approximately the same time in a dizzy spell called *duol sonlap* in the local Khmer language. In 2011 alone, more than 2,300 workers in five Cambodian factories fainted while working. In just two years cases of fainting of more than 4,000 women workers have been reported. According to the local trade unions the incidences are under reported, and the real picture is actually much more alarming. The reports cited various reasons for these incidences, including poor nutrition, exhaustion due to excessive overtime, high temperatures in the workrooms, poor ventilation, noxious chemicals, low blood sugar, and even mass psychogenic illness. However, the core factor behind these incidences is low wages. Because of low wages, the workers are compelled to accept extremely excessive working hours. Most of the workers support their families, and if they do not work overtime, they may not be able save enough to send money back home and their families may starve. Most of these workers also are forced to live in miserable conditions. A scientific study by the non-profit, Cambodia-based Community Legal Education Center singled out malnutrition as the main culprit. Their research shows that roughly one-third of Cambodian garment workers — who are predominantly female — come to work "medically malnourished" and eat only 1,600 calories per day. They maintain this low level of spending on them and remain malnourished in order to insure the survival of their parents and their children who depend on their wages. These living and working conditions with low wages and excessive overtime can only be viewed as criminal. (Various reports)

Factory Fires Kill Thousands of Workers

On 11th September 2012, a major fire broke out in Ali Enterprises, a textile factory located in the western part of Karachi in Pakistan. A boiler exploded and the flames ignited chemicals that were stored in the factory. More than 400 workers were inside the factory when the blaze erupted and about 289 of them died in the fire. On the same day shortly after that fire, another fire was reported in what was likely to have been an illegal shoe factory located on Band Road in Gulshan-i-Ravi in Lahore. In this case sparks from a faulty electricity generator set alight some chemicals and the whole factory went up in flames taking the lives of more than 25 workers. In total 315 people died and 250 were seriously injured in these two accidents. Later the same year on 24th November 2012, a major fire occurred in Tajreen Fashion Limited, a sister concern of the Tuba Group in Nischintapur, Ashulia in the Saver District of Dhaka in Bangladesh. More than 111 workers died and around 300 were injured in this incident. Again on 24th April 2013, a devastating fire broke out and the entire eight-storey Rana Plaza Building, containing several clothing factories, a bank and shops, completely collapsed. A total of 1,127 people died and 2,500 were injured in this incident. Two weeks later on 8 May 2013, another fire broke out at Tung Hai Sweater Ltd in the Mirpur area of Dhaka. Eight workers were killed in this incident. Although the death toll in some of the cases mentioned above was much higher than the average, these were not isolated incidents that erupted only in 2012-13. Almost every year hundreds of workers die in fires in Pakistan, Bangladesh and India. In Pakistan, fire incidents kill 16,500 people and disable and injure 164,000 others every year. According to Bangladesh's Fire Service and Civil Defence Department, 414 garment workers lost their lives in 213 factory fires between 2006 and 2009. In 2010, there were also a number of fires resulting in a serious loss of life, including a major fire in the Ha-Meem Group's sportswear factory in Chittagong in which 29 workers died. The situation in India is similar (Pratap 2013).

The deadly fire at a poultry slaughterhouse in Jilin in 2013 was China's worst factory blaze in living memory. The death toll in this factory fire exceeded that of the Zhili fire at a toy factory in Shenzhen that killed 87 workers two decades ago in 1993. In Jilin, more than 122 workers lost their lives and several others were injured. Again, this was not an isolated case. Several factory fires are reported every year, but the death toll in the Jilin fire was alarming. There are also many cases of fires and explosions in coal mines, where more than 100 miners have died in a single incident. In 2011, China recorded more than 125,400 accidental fires which killed more than 1,100 people, and caused $335 million (£219 million) in economic losses. Fires on construction sites rose by 5.7 percent from 2010 to 2011 (Hatton 2013 & AMRC 2013) •

CHAPTER 5

Labour Movement in Asia: Major Flash Points

Financialisation, international capital mobility and new international division of labour taking shape in global supply chains had an all-round negative impact on working class movements across Asia, as in other parts of the world. In other words, the strategies adopted by global capital to resolve, dilute or delay its systemic crisis, in turn created a crisis for global labour. Primarily to increase profitability by exploiting cheap labour, the transnational corporations have been increasingly shifting and contracting out their labour intensive operations to developing countries with an inbuilt logic of becoming footloose and able to shift any time wherever more profitable investment opportunities arise. At the same time, the transnational corporations exercise their effective control over the global economy and capture major shares of profits generated in the value chain by their effective control on GVC by virtue of their monopoly over markets, finances and crucial technologies.

The impact of the above factors was disastrous to working class movements all over Asia. In the first phase in almost all the countries, the working class movements collectively and fiercely opposed this anti-labour industrial restructuring. However, by and large it failed to stop this process, and in the meantime, gradually, with the restructuring of industries, drastic changes in labour relations the trade unions themselves were increasingly thrown out of the workplaces in terms of any effective collective bargaining. This resulted in an overall decline in the strength and collective bargaining power of trade unions.

In the second phase, the working class movements gradually learned to work in the new environment and started effectively reclaiming their space with new and innovative strategies of organising and collective bargaining. Similar developments were also seen in developed countries. Due to increasing shift of production operations from developed to developing countries, rising unemployment took on a serious shape and the impacts were reflected in re-emerging informal sectors, and weakening of trade union movements. The strongest and most radical trade unions mainly based in labour intensive industries by and large disappeared in terms of any effective presence. In the meantime, the vulnerability of workers raised many folds with informalisation of labour and the fear of losing jobs. In overall terms, the above dynamics drastically reduced the collective bargaining power of labour that is reflected in cuts to social security benefits and the downgrading of social security structures in most developed countries.

Therefore, the crisis created for labour was of the kind that it had to face a new kind of world wherein it was increasingly disempowered. The state was largely transformed into an agent of capital and its major role was to control the people and facilitate capital accumulation by all means. Its welfare role was reduced to the minimum and to the extent necessary to control and 'discipline' the working class. Therefore, the organising and collective bargaining strategies of the working class based on the pre-globalisation phase of industrial relations systems were made ineffective and irrelevant. The working class was facing a kind of situation that it faced in its formative period, when there were no rights to collective bargaining, no limits to working hours, no ensured minimum level of wages and social security, and no ensured livelihoods. Moreover, this period is devoid of the positive factors that existed in the formative period, i.e., a broader similarity in the conditions of the working classes, and a kind of traditional community-based collectivism that helped in a great way in developing strong working class movements.

However, there are some important positive factors as well of the new phase: The working classes are comparatively more educated, comparatively more aware of the dynamics of labour-capital relations and of their rights. Therefore with these positive and negative factors, the working class had to restructure and reshape itself to effectively reclaim the space for collective bargaining. This was a common challenge for the working class in Asia. However, in those countries where this period coincided with the upsurge of democratic movements and the restoration of democracies, the labour movements were able to face this challenge more effectively than in other countries.

It is interesting to note that the industrial restructuring and reshaping of industrial relations systems in Asian countries coincided with that in western countries, largely taking place between the latter half of the 1980s into the first half of the 1990s. This reflects the fact that the driving forces for this change operated globally. However, with the above commonality, there are also country/region specificities in the impact and also in the nature of emerging working class movements depending on the specific nature of economies, political systems and industrial relations regime that existed previously in various countries. This period coincided with the upsurge in democratic movements, such as in South Korea, the Philippines, Indonesia, Thailand, and Nepal. Also it was the same period when China, Vietnam, Mongolia and Cambodia decisively changed their path of development and started moving down the capitalist road.

With these factors in mind, we will look at all the dynamics of changing labour relations and the emergence of a new kind of workers' resistance in Asian countries by dividing them in four major groups: Underdeveloped economies in Southeast Asia; underdeveloped economies in South Asia; erstwhile socialist countries; and the comparatively advanced capitalist economies in Asia. This grouping is in accordance with the workforce structure and key economic indicators as provided in Table 9, and also takes into account some broader political factors.

Table 9. Workforce structure and key economic indicators in Asian countries

1	2	3	4	5	6	7	8	9	10		11
									@TRADE UNION DENSITY		
COUNTRY	% OF WORKERS IN AGRICULTURE	SELF-EMPLOYED AS % OF WORKFORCE	SELF-EMPLOYED AS % OF NON-AGRI EMPLOY-MENT	INFORMAL EMPLOYMENT AS % OF NON-AGRI EMPLOY-MENT	GDP PER CAPITA (CUR-RENT US$)	GDP PER GROWTH RATE (2012)	POPULATION LIVING ON LESS THAN US$2/DAY	GINI COEFFICIENT	% OF LABOR FORCE	% WAGE WORKERS	MINIMUM WAGES AN-NUAL PPP US$ (2010)
Nepal	93.1	66.5	55****		690	4.9	77.6	47.2	8	35	151
Bangladesh	62.1	63.6	75		752	6.2	81.3	33.2	2.9	22	58
Pakistan	44.7	35.3	43		1257	4.0	60.3	31.2	3	8.6	229
India	59.8	81.9^	37	85	1489	3.2	75.6	32.5	7	38	121
Sri Lanka	32.6	38.7	19		2923	6.4	39.7	40.2	17.9		93
Cambodia	68.7	41.2	49		944	7.3	68.2	41.7	5.8	19	
Philippines	35.2	38.1	34	72	2587	6.8	45.0	44.0	4.2	8.2	379
Indonesia	39.7	50.4	51	78	3557	6.2	53.8	34.5	3.1		148
Thailand	41.5	41.6	36	51	5480	6.5	11.5	42.5	1.4	2.1	295
Vietnam	65.3	41.7		82**	1755	5.2	48.4	37.8	14.4	40	85
China	39.6	10.9*	15	32.6	6091	7.8	36.3	35.4		41.2	173

1	2	3	4	5	6	7	8	9	10		11
									@TRADE UNION DENSITY		
COUNTRY	% OF WORKERS IN AGRICULTURE	SELF-EMPLOYED AS % OF WORKFORCE	SELF-EMPLOYED AS % OF NON-AGRI EMPLOY-MENT	INFORMAL EMPLOYMENT AS % OF NON-AGRI EMPLOY-MENT	GDP PER CAPITA (CUR-RENT US$)	GDP PER GROWTH RATE (2012)	POPULATION LIVING ON LESS THAN US$2/DAY	GINI COEFFICIENT	% OF LABOR FORCE	% WAGE WORKERS	MINIMUM WAGES AN-NUAL PPP US$ (2010)
Malaysia	13.5	25.2	17		1043	5.6	7.8	37.9	7.6	10.3	
South Korea	7.2	30.6	30		22590	2	2	31.2	6.7	10	797
Singapore	1.1	18.7	13		51709	1.3	2.0	42.5	33.3	31.7	618
Hong Kong	0.2	15.4	10		36796	1.5			23.7		
Japan	4.2	11.9^	11.2****	12****	46720	1.9	2	32.1	15.5	18	944

Sources: Column 2: UN (2011), Column 3: ILO (2010), Column 4&5: ILO (2002), Column 6&7: World Bank data on key economic indicators, Column 8&9: ILO (2010); Column 10:Figures for Nepal, Bangladesh, Pakistan, India, Cambodia and Philippines from FTF council (2013), for Sri Lanka, Hong Kong and China from ILO (2013), for Indonesia from Yoon (2009), for Vietnam figures are arrived on the basis of data given in Van Lam (2012) and Clark et al (2007) and for other countries figures are from Hayter and Stoevska (2009); Column 11: ILO (2010); ^ World bank data, *National Bureau of Statistics of China 2012, ** Percent of total employment (Cling et al 2011), *** Blanchflower (2000), **** OECD Data on informality and self-employment.

@ Systematic comparable figures of trade union density is not available and different sources give different values. Therefore the data on TU density for various countries given here may not be comparable

Note: The Gini coefficient is a measure of statistical dispersion intended to represent the income distribution of a nation's residents. This is the most commonly used measure of inequality. The coefficient varies between 0, which reflects complete equality and 100 which indicates complete inequality (when only one person has all the income or consumption and all others have nothing)

I. Underdeveloped Economies of Southeast Asia

Many Southeast Asian countries have a long colonial and neo-colonial history, combined with authoritarian regimes as well as a long tradition of democratic struggles. These economies are highly underdeveloped with the majority of the population still surviving on agriculture and a significant size of workforce toiling as self-employed and home-based workers in precarious informal sectors. The informal workers (informal sector workers plus informal workers in formal sectors) form a very high proportion of the workforce. The impact of these factors was reflected in declining trade union density as well as collective bargaining power of labour. During the period when the policies of liberalisation and the new international division of labour was being imposed most of Southeast Asian countries such as the Philippines, Thailand and Indonesia were under authoritarian regimes and Cambodia was experiencing a prolonged civil war, and therefore the democratic rights of the people were virtually suspended for long periods. This was additional factor that limited the space for and reduced the power of collective bargaining. Authoritarian governments exercised tight control on trade union activities with the aim of maintaining industrial 'peace' and restricting the space for democratic movements.

As we discussed earlier, the broader changes in the global political economy coincided with the upsurge of democratic movements in these countries. With the restoration of democracies (in varying degrees), freedom of association and the right to collective bargaining were also largely restored and a new political and social space was opened for the growth and expansion of the working class movements. However, in the meantime, the Asian economic crisis in the late 1990s facilitated a consensus among various political forces in various countries on economic policies based on export-led growth, and also a compromise among them on anti-labour policies, in the name of building 'competitive advantage' for their economies. Therefore, the focus on maintaining industrial peace by and large continued, and various legal and institutional devices were designed to dampen the trade union activities, controlling the industrial conflicts and limiting the scope of collective bargaining.

The major impact of these anti-labour policies came in the form of rampant informalisation of labour, initially by violating the labour laws, and later justified and supported by new labour legislation. This phenomenon was further accelerated in the aftermath of the financial crisis, and led to a situation when non-regular forms of employment became the norm for a huge majority of the workforce and regular forms of employment became an exception, limited to a very small proportion of the workforce. These factors had a disastrous impact in terms of eroding the traditional basis of trade unions and their organising/collective bargaining strategies. On the other hand, it also facilitated a transformation (in varying degrees) of the trade union movement and the emergence of a new type of labour movement reclaiming the space for collective bargaining.

In the Philippines, export-oriented industrialisation program started under the Martial Law imposed in 1972 which drastically changed the nature of industrial relations. The strategy of export-oriented growth was largely based on low cost advantage (keeping the wages and working conditions at minimum) that was achieved and maintained by banning strikes, introducing compulsory arbitration, and empowering the labour department to issue injunctions against strikes and other measures. To exercise effective control over trade union activities, new legal framework compelled the unions to reorganise themselves on lines of industrial federations and forced them all to get affiliated to the government controlled Trade Union Congress of the Philippines. Various labour laws were amended in favour of capital and against the labour. With the restoration of democracy and the ascendancy of Corazon Aquino in 1986, the most restrictive aspects of the Marcos regime were lifted, the monopoly status of the Trade Union Congress of the Philippines by and large ended, and a new social and political space was created for the growth and expansion of the labour movement. But the basic character of the industrial policy did not change. It continued its low cost focus and anti-labour (pro-capital) character. Therefore, even as trade union rights and the right to strike were restored, several restrictions were put to minimise the ability of unions to strike (Kuruvilla and Erickson 2002).

In Indonesia, trade union rights and the right to strike were virtually suspended under the authoritarian Suharto regime, and trade union activities were effectively controlled by way of allowing only one government controlled trade union federation, Federation of All Indonesia Workers' Unions (FSPSI). In the late 1990s, with the downfall of the authoritarian Suharto regime and restoration of democracy, trade union rights and the right to strike were restored and the monopoly status of FSPSI came to an end (Yoon 2009). It was the force of working class movements linked with the broader democratic movement that compelled the new regime to ratify ILO Convention Nos. 87 and 98. These situations created immense space for growth and the expansion of trade union activities resulting in a strengthening of working class movements. A large number of independent trade unions emerged and trade union density also increased significantly. In 2005, there were around 3.4 million union members out of total workforce of 110 million workers including 23.8 million formal sector workers. This means that the union density in 2005 reached more than three percent of the total workforce, and more than 14 percent of the formal sector workforce (Yoon 2009).

Thailand also moved towards democratisation during the same period, and the overall impact was reflected in the opening of a new political and social space for the growth and expansion of trade unions (Yoon 2009). While democratisation is still in progress, the democratic movements have also been playing a great role in the growth and expansion of working class movements. However, in the name of building a competitive advantage for export-led economic growth, maintaining industrial peace, and also controlling the democratic movements, many restrictions have been placed on the trade unions. For example, in Thailand a trade union can be formed only in an enterprise with 10 or more employees and collective bargaining can take place only in enterprises with 20 or more employees. However, the majority of wage earners in Thailand are in enterprises with less than 10 employees.[15]

15 S.R. de Silva, Elements in the Shaping of Asian Industrial Relations, www.ilo.org/public/english/dialogue/actemp/downloads/.../srsindus.pdf

Therefore, a large proportion of workers are excluded from the coverage of right to organise and collective bargaining.

Cambodia is generally put in the category of erstwhile socialist countries, but the conditions in the country are more similar to this group of countries than the erstwhile socialist countries. The young Cambodian labour movement emerged from a society torn by decades of civil war, which formally ended after the first parliamentary elections in 1993. Unions began to emerge only after the adoption of the Cambodian Labour Code in 1997. Cambodia ratified most of the important ILO conventions including C-98 and 87. Cambodia's 1997 Labour Code guarantees freedom of association, the right to bargain collectively, and the right to strike. All workers with an employer-employee relationship are covered by labour laws, but only about 10 percent of the active population has a formal employer-employee relationship. Moreover, informal workers and civil servants are not covered by the labour laws. It is also interesting to note that in Cambodia, women form a significant proportion of the workforce and also constitute about half of the members of trade unions. In Cambodia, the garment sector is the largest industry in terms of export earnings and it also employs the majority of the formal workforce outside the public sector. The trade union movement in this sector has achieved remarkable growth, and trade union density in the garment sector has already reached 40 to 45 percent. We have also observed a great expansion of trade union activities in the hotel and construction sectors (Nuon and Serrano 2010 and Yoon 2009).

The industrial relations systems in all these Southeast Asian countries are focused on enterprise level collective bargaining, and on the other hand, the trade unions' capacity for enterprise level activity was weakened due to: a) large scale retrenchments and downsising of industries particularly after 1990, b) informalisation of the workforce by engaging larger proportion of non-regular workers in formal sectors mostly through agencies/contractors and transferring the jobs from the formal to informal sectors in typical value chain arrangements (in-house subcontracting and outsourcing to smaller units and home-based workers). This dynamics also created a situation where in the collective bargaining coverage was generally lower than the trade union density. Even if trade unions are able to sign significant numbers of collective bargaining agreements in various units, large proportion of workers in those units and the industries are not covered by it. We observe a similar impact of fragmentation and disunity among trade unions/federations, particularly in the Philippines, Indonesia and Cambodia.

Other problems that are responsible for low trade union density and low collective bargaining coverage include difficulties with the registration of a trade union. For example, trade unions need to prove they have the support of 50 percent of the workforce and regularly inform management about any changes in their governing bodies (Indonesia), trade union leaders need to provide evidence that they have been engaged as workers in the same occupation for the previous 12 months (Philippines and Cambodia), union members must be older than 25 years of age and have no criminal record (Cambodia), it is at the government's discretion whether to grant representative status to a union if and when the Labour Advisory Committee, an employer or a concerned third party objects to the union's petition (Cambodia), trade unions need to provide the names of all union members to get recognition (Philippines), workers automatically loose union membership after dismissal from a job (Thailand), trade unions may be dissolved if membership drops below 25 percent of the eligible workforce (Thailand), and only one trade union can be formed in each enterprise (Thailand).

Another big issue is the difficulty in getting recognised as a collective bargaining agent. For example, in the Philippines the process of certification election for bargaining agent allows the employers to wage an anti-union campaign. In Indonesia and Cambodia the unions need to prove representation of more than 50 percent workers to get recognised as a bargaining agent. Moreover, non-regular workers (and migrant workers), who many times form the majority of the workforce, generally have very limited or no trade union rights and no right to strike in almost all these countries. The legal system is such that a lawful strike is almost impossible, and illegal strikes invite dismissals, arrests and imprisonment of union leaders and workers. The governments also undermine workers' rights by failing to enforce labour laws and by allowing self-certification under various labour laws. Moreover, it is at the government's discretion whether to declare certain enterprises as public utility or essential services to ban the strikes (ITUC 2011-12).

However, with all the limitations created by industrial restructuring, the legal restrictions on the right to organise and collective bargaining and the repression of trade union activists and workers, in recent decades trade union activities have grown and expanded in a big way and that is reflected in the increasing number of industrial disputes. The labour movement also expanded its base among informal workers in a big way, mainly by focusing on sectoral unionism and sectoral collective bargaining that affects and integrates the whole value chain in particular industrial sectors. In many cases, the informal sector workers are organised in separate unions/associations and made part of broader coalitions in the form of industry federations. The force of the labour movement compelled governments to take steps to pacify the labour movements by instituting social dialogue in the form of tripartite consultations on the one hand, and legislating minimum wages and social security policies on the other. For example, in Cambodia the Labour Advisory Committee (LAC) was constituted to periodically revise the minimum wage, and National Social Security Fund (NSSF) was constituted in 2007 to provide all workers in Cambodia with social security coverage related to disability, old age, death and accident risk at work. However, a large majority of workers, particularly those in informal sectors and in sectors with a high level of informalisation (e.g., the construction sector), are still not covered by this law (Nuon and Serrano 2010). In the Philippines, a Tripartite Social Accord struck in 1998 was primarily aimed at easing the restrictions on layoffs as a means of promoting economic restructuring, but it also extended social security benefits to workers (Yoon 2009). In Indonesia also, the state took initiatives, such as constituting tripartite cooperation institutions both at national level as well as sectoral level (LKS Tripartite), passing legislation on social security and creating a system for the periodic revision of minimum wages. Similarly in Thailand, relevant initiatives were taken by the state to extend various social security benefits to unprotected workers.

Flash Points of Labour Movement in Southeast Asia

The labour movement is continuously advancing in all southeast Asian countries, but hot spots of the labour movement are emerging, particularly in Indonesia and Cambodia. In Cambodia the hot spot has been mainly the garment industry, and in Indonesia, the formal sector in general is emerging as hot spot of the labour movement, however, it is more intense in the electronics industry.

CAMBODIA

As we already discussed, the garment industry in Cambodia is the single most important sector generating major share of the manufacturing GDP and employment, as well as is the single largest source of exports. The labour movement has also been focused on the garment sector and union density in this sector has already reached more than 40 percent. Due to low wages and harsh working conditions combined with almost no job security and very little if any social security, discontent among garment workers has been rising steadily. This is reflected in the data on strikes. The number of strikes and man days lost continuously increased from 2003 onwards. In 2003, there were 55 strikes and 130,284 man days were lost. In 2012 and 2013, the number of strikes reached 121 and 131 respectively, with 542,827 and 825,646 man days lost. The year 2012 particularly marks the beginning of large scale strikes and very high rates of participation by workers in the strikes. [16]

In 2013, the labour movement took another leap. Throughout the month of December in 2013, there were a series of rallies of workers demanding a revision of the minimum wage upward to US$165 per month. On 23 December 2013, the government declared that it would raise the minimum wage from the existing US$75-80 per month (probationary/non-probationary workers) to US$100, a level far short of the workers' demand of US$165. On 24th December, almost all the garment, footwear and textile workers' union federations, including

16 GMAC Strike Report, Garment Manufacturers Association in Cambodia; http://gmac-cambodia.org/strike/

Coalition of Cambodian Apparel Workers Democratic Union (C.CAWDU), National Independent Federation Textile Union of Cambodia (NIFTUC), the Collective Union of Movement of Workers (CUMW), Cambodian Alliance of Trade Unions (CATU), Free Trade Union of Workers of Kingdom of Cambodia (FTUWKC), Worker Friendship Union Federation (WFUF), and the Independent Youth Union Confederation (IDYTU) declared a strike in protest. Together, the federations comprised 386 plant-level unions and represented 249,700 workers in the textile, garment and footwear industries. Workers of about 127 factories went on strike. The active participation of workers and unity among unions showed the magnitude of their grievance. There was also a radicalisation of the labour movement, which became particularly visible in the 2014 strikes.[17] Violent clashes began when the government tried to stop the workers from marching peacefully on Veng Sreng Road on 2nd January 2014. Riot police and soldiers beat up union leaders, workers and supporters. Many were arrested with severe injuries, including Mr. Vorn Pao, president of Independent Democracy of Informal Economy Association (IDEA) and Mr. Theng Savoeun, coordinator of Coalition of Cambodian Farmer Communities (CCFC). Angered workers began to burn tires and set up roadblocks against the armed forces. On the morning of 3rd January, 2014, the armed forces started shooting live ammunition directly at the workers, killing four workers and severely wounding many others.

A series of protests were organised in Cambodia and solidarity actions were organised in many countries, demanding the unconditional release of all arrested workers and rights defenders. In the mid-January, an international trade union, the ITUC took the initiative to work to resolve the dispute but the outcome was only a disappointment:

17 Cambodia: Striking garment workers killed in brutal repression; http://links.org.au/node/3665; Cambodia garment workers' strike turns deadly; http://www.aljazeera.com/news/asia-pacific/2014/01/cambodia-garment-workers-strike-turns-deadly-2014134464180721.html; Cambodia's Garment Industry Resumes Production After Strike Ends; http://online.wsj.com/news/articles/SB10001424052702303433304579304154193538792

> "Unfortunately, our sincere efforts to build bridges with the garment manufacturers association (GMAC) were met with outright hostility and with a complete disregard to the sustainability of industrial relations. Indeed, GMAC embraced the prospect of creating further conflict in the industry. We hope that the hard rhetoric was just that, and that there may still be a way forward, but we cannot but express our deep disappointment with their attitude."[18]

On 16 January 2014, the European Parliament passed a resolution calling on the Cambodian government to conduct an independent, internationally led investigation of the election[19] and the killing of five garment factory protesters. The European Parliament urged the Cambodian authorities to thoroughly investigate and hold to account those responsible for the deaths and injuries, and also urged that the 23 arrested during the protest strikes be freed and that the government's ban on freedom of assembly be immediately revoked.[20] On 15 January 2014, the U.S. House of Representatives also passed a draft spending bill that would cut some aid to Cambodia unless similar demands regarding the flawed election were met.[21] The European Union is Cambodia's single largest aid donor, and about 50 percent of all shoes and garments produced in Cambodia are exported to the E.U. On 11th February 2014, two arrested workers were released on bail, but the bail applications of 21 other arrested workers and rights defenders were rejected by the Phnom Penh Appeal Court. The struggle to release the workers continued.

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18 ITUC Statement on Cambodia, 13 January, 2014; http://www.ituc-csi.org/ituc-statement-on-cambodia-13

19 The opposition parties in Cambodia had challenged the results of general elections held in July 2013 on the grounds that there were large scale irregularities and demanded for independent investigations

20 Denise Hruby 2014. EU Calls for International Probe Into Election; The Cambodia Daily; http://www.cambodiadaily.com/archives/eu-calls-for-international-probe-into-election-50850/

21 ibid.

Probably, this struggle of Cambodian garment workers also marks a beginning of a new kind of international solidarity actions going beyond the petitioning and one-time show of ritual solidarity. A series of solidarity actions were organised in various countries across the world. Demonstrations were also organised in the countries where the global brands which have invested in the garment sector of Cambodia, are based, the U.S., Germany, the UK, Turkey and South Korea. The most important demonstrations were held in Asian countries including Hong Kong, Indonesia, Thailand, the Philippines, and Malaysia, Bangladesh and Sri Lanka. 10 January 2014 was observed by Asian workers organisations as International Day of Action in Solidarity with Garment Workers in Cambodia and demonstrations were organised in many Asian countries.

INDONESIA

Indonesia seems to be entering a new period of awakening and emerging as one of the most important flash points of the labour movement in Asia. It is worth mentioning that the Indonesian labour movement was almost completely destroyed both physically and ideologically after the defeat in 1965 and was not allowed to advance for decades when Indonesia was under dictatorial regimes. In the mid 1980s manufacturing industries started expanding in a big way with an obvious export oriented focus. This period coincided with the emergence of strong democratic movements against the authoritarian regime. These two factors helped the re-emergence of labour movement in Indonesia and also shaped its main characteristic features. By virtue of these two factors, the labour movement was able to steadily expand its base both in traditional sectors as well as in manufacturing. As the new labour movement, as part of democratic movement, was more open and equipped to go beyond traditional forms of unionism, therefore was also able to evolve new and innovative strategies of organising and collective bargaining. The power of the working class increased significantly and this was reflected in the rise in the number of strikes from 61 in 1990 to 300 in 1994. Largely it was the force of the working class movement that shook the Suharto regime. The Reformasi Movement of 1998 further opened the democratic space for labour movement. It was the force of Reformasi movement, along with other factors, that started a debate within the SPSI, the government sponsored monopoly trade union of the Suharto period, and finally a more progressive fraction came out of SPSI to form a separate trade union (Sprague 2012).

After the restoration of trade union rights and end of the monopoly of SPSI, the labour movement in Indonesia progressed in leaps. A wave of strikes emerged in 2011 and continued throughout 2012. During this time a coalition of trade unions, the Council of Indonesian Workers and Labourers (MPBI) was formed that united five million workers under one banner. Finally, with the 2012 general strike the Indonesian labour movement entered in a new phase, moving towards consolidation of the working class movement at the national level and gradually emerging as a political force. The general strike was more a celebration of victory than a protest. And it was really a victory in itself, since the working class was able to organise a general strike after 50 years. More than two million workers participated in this strike. The major demands included a 50 percent increase in the minimum wage and the abolition of outsourcing system and anti-labour laws.

The power of working class emerged again on the streets of Indonesia in the 2013 general strike. Around three million workers in 20 provinces and 150 regencies held a nationwide strike for two days and paralysed activities in around 40 industrial areas in Java, Sumatra, Sulawesi and Kalimantan. The demands were by and large the same as in the 2012 general strike, i.e., a 50 percent hike in minimum wages and an end to job outsourcing and the contractual system. They also demanded the immediate passage of the bill on housemaids and revision of the newly enacted law on mass organisations that, according to them, has been devised to silence labour unions. The power of working class unity forced the administration to announce an 11 percent increase in the minimum wage from Rp 2.2 million to Rp 2.4 million, on last day of strike.[22]

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22 Wages rise as strike goes on; http://www.thejakartapost.com/news/2013/11/02/wages-rise-strike-goes.html

It is also interesting to note that the general strike of 2013 was a part of and also the result of a consolidation process in the Indonesian labour movement. Consolidation between the Confederation of Indonesian Unions (KSPI) and the Workers Joint Secretariat (Sekber Buruh) almost culminated in September 2013, and it was agreed to accelerate the further process of consolidation. A Preparation Committee of National Consolidation was formed. In the national meeting of the Indonesian labour movement in September more than 100 trade union representatives from 18 provinces participated. The meeting decided the priority issues of the movement: a) rejection of low wage politics by using the strategy of struggling for a 50 percent wage hike; and b) elimination of the outsourcing system. The decision to hold a general strike was also taken by this committee.[23]

One more interesting aspect of the Indonesian labour movement needs a mention here. In the formal sectors, similar to India, the violation of trade union rights and victimisation/repression of workers and trade union activists has emerged as a major problem. With the rising power of the labour movement the Indonesian trade unions have adopted a unique strategy to fight this—the factory occupation or factory raids. In these factory occupation/raids, the trade unions in the region collectively mobilise their members and other workers to block the gate of the target factory which has been prohibiting union activities and victimising workers and union activists. They demonstrate in front of the target factory and demand the management to comply with the labour rights.

One such factory raid was held at the Samsung for not allowing union activities in its factories. Around 200 workers of Samsung Electronics had formed a trade union in 2012, but all the leaders and members of the union were dismissed and the union was literally removed from the factory. Repression was unleashed on union activists. Similar repressive measures were adopted to remove unions and stop union activities

23 National Strike of Indonesian Workers On 28, 29, 30 October 2013; http://amrcblog.wordpress.com/2013/10/18/national-strike-of-indonesian-workers-on-28-29-30-october-2013/

in Samsung's supply chain factories as well. The unions suspected that Samsung was behind all incidents of union busting in its supply chain factories. Therefore in November 2012, the trade unions in the region along with those in the supply chain of Samsung decided to occupy/raid Samsung and demand that the company respect labour rights and stop union busting. Around 10,000 workers gathered at the union secretariat to march to Samsung. However, on reports of the march, hundreds of anti-riot police with trucks, water cannon cars, tear gas launchers and guns were dispatched to stop the workers. In fact, the police had been on guard in that area around the Samsung plant for a few days before this action. When the workers were finally able to break through the police circle, they chased a group of thugs who were at the closest position. However, the factory raid that day could not reach the Samsung factory that day. In December, the union again mobilised the workers and made a strong demonstration in front of the South Korean Embassy, demanding that the embassy take action to punish Korean companies that violate national laws, and direct Samsung, in particular, to stop union busting and reinstate union members who had been terminated. The representatives of the South Korean Embassy promised to take action against the management of Samsung. The struggle continued (Mufakhir 2013).

II. Under Developed Economies of South Asia

South Asian economies in general are highly underdeveloped and a majority of the population still survives on agriculture and in low-paid, self-employed trades and occupations in the informal sectors. In comparison to Southeast Asian countries (with exception of Cambodia) discussed above, the situations are even worse in south Asian countries (with the exception of Sri Lanka). In Nepal as much as 80 percent, in Bangladesh 63 percent, in India 60 percent, in Pakistan 42 percent and in Sri Lanka 38 percent of the workforce still depends on agriculture for their livelihood. In Bangladesh 75 percent, Pakistan 43 percent and in India 37 percent of non-agriculture workforce is engaged in self-employed occupations. In Sri Lanka the situation is comparatively better, and this is also reflected in its higher per capita income which is the highest among south Asian countries.

Most of the south Asian countries have a long colonial history, and they also inherited a colonial industrial relations system. After independence a lot of new labour laws were enacted to extend the coverage of labour regulations, but the basic nature of the labour laws did not change much. The economic crisis of the 1970s affected these countries in a big way and it was reflected in two common phenomena: a) stagnation in economic growth and pressure to open the economy, and b) wide-ranging unrest in the working class, both in urban and rural areas. In the later periods, the economies were gradually leberalised and adopted the path of export oriented development based on FDI.

Sri Lanka was the first to open its economy and move on the path of free trade policies in the late 1970s. The economies of other south Asian countries were decisively opened in the late 1980s and early 1990s. We have observed an upsurge in the labour movement in almost all south Asian countries against the privatisation of public sectors and liberalisation of labour laws. It was the force of the labour movement that stopped the state from liberalising the labour laws in any significant way. However, the privatisation drive continued. During the same period the democratic movement in Nepal achieved a decisive success. The force of the democratic movement is compelling the political forces in Nepal to frame more pro-people and pro-labour policies targeted at more equitable development.

In the period after the 1990s, (started little earlier in Sri Lanka), the industrial relations regimes were restructured in all these south Asian countries with the sole motive of building their comparative advantage in terms of cheaper and more flexible labour and peaceful industrial relations environment. Even if the state was not able to amend the labour laws in any significant way, the reality on the ground was changed by: a) large scale violations of labour laws achieved by paralysing the labour law enforcement machinery and allowing self-certifications; b) judicial pronouncements changing the meaning of various provisions in labour laws c) extending public utility and essential services status to many industries; d) establishing large numbers of special economic zones and putting them out of ambit of state labour departments; and e) frequently using essential services related legislation to ban strikes.

This dynamics is more forcefully reflected in India than in any other south Asian country. In addition, the plethora of inconsistent labour laws in India makes industrial relations more complicated. It is to be noted that Pakistan, Bangladesh and Sri Lanka have ratified most of the important ILO conventions including C-87 and 98, while India has not ratified either of these two. The Trade Union Act in India provides right to organise and collective bargaining to both formal and informal sector workers, public sector and private sector workers (excluding persons in managerial or administrative capacity, persons engaged in a supervisory capacity with a salary of more than Rs10,000 per month or those executing managerial functions, persons subject to Army Act, Air Force and Navy Act or those in the police service, and officers and employees of a prison.) The Trade Union Act was amended in 2002, and the number of members required for registration of a union was increased from seven to 100 or 10 percent (in any case not numbering less than 7) of the workforce. Hundreds of special economic zones (consisting of tens of thousands of firms) have been established and as we discussed, even if labour laws apply to these zones, they are put out of the ambit of state labour departments (powers of labour commissioner transferred to the CEO of special economic zone authority). The unionisation is highly difficult in the zones because outsiders including trade union leaders of the region are not allowed to enter the zones without prior permission from the zone authorities. There is no central law on recognising trade unions as bargaining agents. Only few states have laid down procedures for determining the bargaining agent on the basis of a referendum. The right to strike is continuously under attack. In new interpretations by the courts, government employees and teachers have no right to strike, and also the workers do not have the right to claim wages for strike periods.

In Bangladesh, a great attempt was made by Bangladesh Labour Act 2006 to integrate the plethora of inconsistent labour laws that is a characteristic feature of south Asian industrial relations, and to bring some sort of uniformity and consistency in its various provisions. However, a number of categories of workers are excluded from the scope of the Labour Act and its provisions on the right to organise and collective bargaining. Moreover, even though the Export Processing Zones (EPZ) Workers Associations and Industrial Relations Act 2004 provides for right to organise and collective bargaining to EPZ workers, its various provisions practically make it virtually meaningless. For example, the act prohibits the entry of trade unions in new units in EPZs until three months after a company starts production, and does not allow more than one workers' association per industrial unit. There is also a requirement that a minimum of 30 percent of eligible workers join as members for formation of an association, and a requirement of verification of membership and the conducting of a referendum by the Bangladesh Export Processing Zone Authority (BEPZA). The workers' association can only be legally formed if in the referendum more than 50 percent of the eligible workers cast their vote and more than 50 percent of the votes are in favour. If the association did not get this winning vote, then any unionisation in that unit is prevented for one year. With these pre-conditions it is highly difficult to form any enterprise level trade union in EPZs. Moreover, the association can be deregistered at the request of 30 percent of the workforce, even if they are not members of the association. It also puts severe restrictions on strikes in EPZs. Associations are not allowed to receive funds from any outside source without the approval of the BEPZA and a federation is prohibited from affiliating itself in any manner with federations in other EPZs and beyond the EPZs (Faruque 2009).

In Pakistan also there were attempts to integrate and bring uniformity in labour legislations and expand their coverage to include informal economy workers. Under the Industrial Relations Act 2008, the right to a trade union and collective bargaining is provided to formal as well as informal sector workers excluding agricultural workers, teachers, health workers, civil servants, public sector workers, and those in export processing zones and special economic zones. The law extends the right to a trade union and collective bargaining to those who were earlier excluded, such as supervisors, people working in hospitals, dispensaries, and clinics run on a commercial basis, people working at installations or in services not exclusively connected with the armed forces, and workers engaged through a contractor. The inclusion of supervisors and contract workers provides legal space for organising all workers in a unit under one trade union, because the law also provided for only one collective bargaining agreement (CBA) for the entire workforce in entire organisation. Under the 2008 act, the requirement of membership of workers for the registration of a third trade union in an establishment was increased from one fifth to one fourth. Moreover, the registration of a trade union can be cancelled on various grounds, including if the union had not been a contestant for the position of CBA, or did not apply for the determination of a CBA, or secured less than 15 percent of the polled votes during the referendum for the determination of a CBA. It also provides that those who have been convicted of a criminal offence may not become officers of the trade union (earlier this restriction was only for those found to have embezzled trade union funds). The law provides a process for determining the bargaining agent by way of a referendum, and the trade union that secures more than one-third of eligible votes gets the status of CBA (Ghayur 2009).

In Sri Lanka, there is comparatively more uniformity and consistency in labour laws than in other south Asian countries. The Trade Unions Ordinance of Sri Lanka is the most progressive of all south Asian countries, covering both public and private sectors, and requiring only seven members to form a trade union. It has special provisions applicable to unions in the public sector. The right to bargain collectively in Sri Lanka was strengthened in 1999 when it became mandatory to bargain with a union which had a membership of 40 percent of the workforce. But it has a negative aspect as well. If in a particular unit any union does not meet the minimum requirement of representing 40 percent of membership, then the employee council can become the collective bargaining agent, if authorised by at least 40 percent of the workforce. This puts unions in competition with employee councils for bargaining rights. The labour laws are also applicable to special economic zones. However, the formation of a trade union and exercising collective bargaining is highly difficult in the zones. Moreover, a tripartite social dialogue was initiated in 2000, largely to institutionalise the flexible labour relations (Amerasinghe 2009).

The right to strike in almost all south Asian countries is limited and restricted, and there is a lengthy process of conciliation and arbitration and the government has discretionary powers to refer the dispute for arbitration or to the court. Therefore, a lawful strike is highly difficult. Collective bargaining and the right to strike in the public sectors and government departments is highly restricted even though they have the right to a trade union and collective bargaining. The specially constituted boards and pay commissions determine and revise the wages and working conditions in these sectors. For the private sector the government intervenes in terms of regulating minimum wages and the minimum level of working conditions.

Before globalisation and liberalisation, a mixed type of collective bargaining was in practice in south Asia. In public sectors (all south Asian countries), and in certain industries such as plantations (Sri Lanka and India), textiles (India and Pakistan), coal, beedi & cigar (India), sectoral collective bargaining was predominant, while in other sectors enterprise-based collective bargaining was in practice. It is also to be noted that the government interventions in regulating wages and working conditions in various sectors by way of the wage boards and other bodies ensured some aspects of collective bargaining in the majority of sectors. Restructuring of the industries, changes in employment practices and new industrial relations systems to a large extent reversed these trends and increased pressure for decentralised bargaining. In India, and also in most of the other south Asian countries performance based wages were introduced in many industries including public sector units, and therefore collective bargaining was increasing based on the productivity of workers and paying capacity of employers, rather than on ensuring proper working and living standards and the seniority of workers. Periodic revision of wages and working conditions by government in public sectors affected the private sectors as well in terms of providing a justification for new collective bargaining agreements. Because of this impact, the industrial lobbies always raised concerns on the system of period of revision of wages in public sectors. Largely on their pressure in recent years the Indian government has been attempting to move to 10-year wage settlements in place of current five year term and also towards decentralised bargaining based on productivity (Bhattacherjee 1999).

With all the limitations created by the above factors, trade union activities grew and expanded in a big way and so too did industrial disputes. The trade union movement also started organising the informal workers in a big way in recent decades. This is reflected in the emergence of significant numbers of informal sector workers' organisations/ federations in various sectors. It is also reflected, for example in India, in the rising proportion of informal sector workers in the membership of central trade unions. Moreover, trade unions are increasingly realising the importance of sector-based collective bargaining and in many sectors it is re-emerging as a dominant strategy, particularly in textiles and garment industry, as well as in plantations. Lastly, it is worth mentioning that the politicisation or political linkages of trade unions has both positive and negative aspects in South Asia. The negative aspect is reflected in the multiplicity and fragmentation of trade unions, and the positive aspect is reflected in their bargaining power over and above the trade union density. In India, for example, the labour is the swing vote in at least 30 percent of all parliamentary constituencies.

Flash Points of the Movement in South Asia

Bangladesh

As we discussed earlier, the garment industry is the single most important sector in Bangladesh, contributing the largest share of manufacturing GDP and employment as well as the greatest share of exports. Therefore, the labour movement in Bangladesh is also more concentrated in the garment industry. However, unlike Cambodia, trade union density in Bangladesh is extremely low. In the ready-made garments (RMG) sector there are only 63,000 unionised workers out of a total of about 3.5 million workers. Moreover, in about 5,000 factories there are only about 140 unions, and out of them only 20-30 are active. The anti-union environment is so strong that in the whole RMG sector, only two new unions were registered in 2008, none in 2009 and 2010, and just one in 2011 (ITUC 2012).

Wages are very low and insufficient for survival, and working conditions are one of the worst. 414 garment workers lost their lives in 213 factory fires between 2006 and 2009 (Pratap 2011). According to the Safety and Rights Society (SRS), 388 workers were killed in occupational accidents in 2011 and 490 in 2012, and ILO claims that 11,000 workers die each year in work-related accidents in Bangladesh (Tazreen & Sabet 2013). According to incidents reported in newspapers, during the three months from December 2011 to February 2012, seven garment workers were killed and 119 workers were injured in workplace accidents (ITUC 2012).

It is in this environment that the global brands are able to capture the major share of revenues generated at the lower tier of the value chains located in Bangladesh. According to a study conducted by the Bangladesh Institute of Development Studies, value added by workers is about 31 for every 100, and out of this 31, only seven is paid as wages and 24 goes as profits to investors. According to a World Bank estimate, a Bangladesh garment worker gets US$ 290 by producing 2,536 T-shirts per year; on the other hand, an Indian worker gets US$668 by producing only 56 pieces more than his Bangladeshi counterparts (Pratap 2011).

Due to these conditions,, the labour movement in the Bangladesh garment industry emerged with very different dynamics. Forming shop floor are highly difficult, and therefore the organising strategies are focused on organising the workers under the banner of federations. This is reflected in the fact that a huge majority of members of federations are individual members, rather than shop floor union members. With no scope for collective bargaining at the shop floor level, the dominant practice emerges as sectoral bargaining and political struggles in the form of general strikes and road blocks to compel the government to intervene and take initiatives to resolve the problems (Pratap 2011).

The first phase of the major struggle for a system of fixation and revision of minimum wages emerged in 2005-2006. A series of demonstrations were organised and thousands of workers participated. These were followed by repression, leading to radicalisation of the movement. Finally, a minimum wage board was constituted and the minimum wage was fixed at TK1,662.50 (US$25) per month, far below the workers' demand for TK3,000. The second phase of the struggle lasted from 2008 to its culmination in the latter half of 2010. There were a series of strikes. Due to a virtual price war that started in 2008-09 among the main garment exporting countries, i.e., Bangladesh, China, Pakistan and India, the wages of Bangladesh garment workers were cut by almost 30 percent between 2008 and 2009. Many employers were paying less than the minimum wage and wages were not paid on time, while the workloads were increased. It was in this situation, widespread discontent emerged, and strikes and demonstrations took a violent shape. In 2010, from January to June there were about 72 incidents of labour unrest in which about 988 workers were injured in clashes with the police. Finally the minimum wages were increased to TK3000, again well below the demands of workers for TK5,000. Even then the employers were not ready to pay this amount and demanded to fix the minimum at TK2,500. A demonstration held in December 2010 took a violent turn again. Four workers were shot dead by the police during demonstrations in the port city of Chittagong. Later on 14th December, there was a major fire in a sportswear factory of Ha-Meem Group near Dhaka which killed about 30 workers. Only after these incidents and fearing wider labour unrests did the factory owners accept the new wage (Pratap 2011).

It has become the norm in Bangladesh that the minimum wages are not revised unless the labour unrests compel for that. Every year there have been large scale demonstrations and strikes for this demand. The wages were not revised after 2010, and therefore from mid 2012 to 2013, there were another wave of radical demonstrations and strikes. More than 50,000 participated in strikes, road blockade and demonstrations, particularly in the Narayanganj and Ashulia regions around Dhaka. There were several violent incidents and clashes with police. During the same period, two major fires occurred, killing more than 1,000 workers. Finally, in November 2013, the minimum wage was increased to TK5,300 ($68), again much below the demands of workers for TK8,000.[24]

24 Resistance is high; garment workers force shutdown in 350 factories; https://libcom.org/news/resistance-high-garment-workers-force shutdown-350-garment-factories-

It is interesting to note that even after all these incidents and even when the the Bangladeshi safety accord (signed by more than 80 Western retailers) gives a central role to the trade unions, employers continue to fiercely oppose the unionisation efforts and victimise the workers and union activists.[25]

PAKISTAN

In Pakistan, the textile and apparel industry is the most important industry in terms of generating the largest share of manufacturing GDP and employment, as well as major share of exports. Therefore the labour movement is also more concentrated in in this sector.

The most important centre of Pakistan's textile industry is Faisalabad, which is country's third largest city and is often called the Manchester of Pakistan with about 200,000 power looms out of a total of about 300,000 in the whole country (Ayyaz Mallick 2013). The nature of this industry and the employment structure is unique in that there are a small number of workers in each unit, and they are mostly hired with a casual employment relationship. The majority of the workers live in surrounding areas in some sort of community relationship. These factors, along with other political factors, make it highly difficult for the formation of shop floor unions. However, they provide immense scope for organising workers in common platforms, i.e., federations. Hence, here, as in case of Bangladesh, more workers are organised in federations than in shop floor unions, and there is more focus on industry wide collective bargaining than at the shop floor level.

However, there is a big difference here from Bangladesh. In Pakistan, there is no such competitive multiplicity of federations as in

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18062012; Striking Bangladeshi garment workers win a 77% pay rise; https://libcom.org/blog/bangladeshi-garment-workers-win-77-pay-rise-14112013; Bangladesh poised to hike garment wages, but may not end strikes; http://uk.reuters.com/article/2013/10/21/uk-bangladesh-garments-wage-idUKBRE99K02O20131021; Clean Clothes Campaign, Bangladesh Minimum Wage; https://www.cleanclothes.org/livingwage/bangladesh-minimum-wage

25 Bangladesh Workers Face Fight to Form Unions; http://online.wsj.com/news/articles/SB10001424127887323455104579012201357331012

Bangladesh. The textile workers' movement in Faisalabad is more or less united under the banner of the Labour Quomi Movement (LQM). The LQM was formed in 2003 in response to the increasing repression of power loom workers. After that, the textile workers' movement took a big leap forward and developed a strong base in Faisalabad and later expanded to surrounding districts (Mallick 2013).

In 2008, there was a large scale strike by power loom workers in Faisalabad that lasted for four days. More than 50,000 workers went on strike and thousands others joined them in solidarity. The strike started when the power loom owners opened fire on a peaceful demonstration of workers. Nine workers were seriously injured. The workers were demanding implementation of a previous agreement signed by the owners and workers. The attack enraged the workers and in retaliation they ransacked some factories. As the news spread across the city, thousands of workers took to the streets and joined the protest demonstrations, and the workers' action committee announced that the strike would continue for an indefinite period. In the end the government intervened and ensured the implementation of the agreement (Bhatti 2008).

The historic strike of Faisalabad took place in 2010. This was probably the first time since the 1970s that the power of the working class emerged on the streets with all its strength, courage and lively dynamics. The strike started on 20th July and lasted for nine days. Thousands of workers rallied throughout the strike, despite the Punjab government banning public gatherings on 19 July. As many as 250,000 power loom workers in Faisalabad were striking together and demanding a hike in the minimum wages, a hike that had been recommended by the Minimum wage Board.

The strike was held in the period when state subsidies on gas, electricity and petroleum were withdrawn and the privatisation drive was at its peak. The prices of essential commodities were skyrocketing, and for some household items it increased up to ten times. The whole society was in anger. To pacify the discontent, the government increased the wages of public sector employees by 50 percent, and in the meantime the Minimum Wage Board also recommended a wage hike of 17 percent.

Moreover, the factory owners were directed to pay at least seven percent of wages into the social security system. However, the factory owners did not implement the wage hike, and the workers were not provided with social security cards. It was against this background that the LQM started mobilising workers and demanding the implementation of the recommended 17 percent wage increase. There was a sudden outburst of anger when in early July, ten strongmen hired by factory owners stormed into the office of LQM activist Mustansar Randhawa and killed him and his younger brother Naseer. The workers in Faisalabad, including those in Jhang, went on a general strike. In Faisalabad, 100,000 power looms were completely shut down and 250,000 workers joined the strike. On the eighth day of the strike, police and goons hired by factory owners brutally attacked 20,000 workers engaged in a peaceful march. The clash lasted for almost 10 hours and hundreds of workers were injured. Fourteen workers, including six chapter presidents of the LQM were arrested. On 10th day of the strike, 25,000 people marched to the District Commissioning Officer's (DCO) house, and camped there. Finally, the DCO ordered the factory owners to implement the recommended wages, register workers with the Social Security Board and issue them social security cards. The strike ended and some of the earlier arrested workers were released. But the six local chapter presidents of the LQM were not released. They were tried and convicted by an anti-Terrorism Court. An unimaginable punishment was ordered. For their dedication and courage to fight for the people, they were awarded a combined sentence of 594 years in prison. The Faisalabad strike very powerfully exposed the nexus between capital (factory owners) and the state against labour (Mallick 2013 and Tariq 2010).

In 2012, approximately 10,000 power loom workers, led by LQM, organised a 155-km march from the industrial city of Faisalabad to Lahore against factory owners who were not complying with statutory minimum wage legislation. The protest was successful in compelling the government to take the initiative to ensure that factory owners increase the wages by 28 percent in line with minimum wage during the relevant period (Mahmood 2012).

INDIA

In India, the manufacturing is more diversified, and in all the three major sectors, i.e., textiles and apparel, automobiles and electronics, which together contribute a significant share in manufacturing GDP and employment as well as a major share of exports. Therefore, the labour movement is also widespread across these sectors. However, in the garment sector, the labour movement is one of the weakest. The dynamics of movement seen in Bangladesh and Pakistan have yet to emerge in India. In the textiles, particularly at some major centers of industry, such as Panipat, Ludhiana and Tirpur, the labour movement is gradually emerging with a somewhat similar dynamics as we have observed in Pakistan and Bangladesh, but at a lower scale of activity.

In Panipat (Haryana) 30,000 spinning mill workers from 500 mills went on indefinite strike in 2006, demanding implementation of the minimum wages and other labour standards.[26] Textile mill workers in the Tirupur knitwear cluster and powerloom workers from thousands of units in Coimbatoor and Tirpur went on strike in 2011, demanding a wage hike.[27] In Ludhina (Punjab) 2,500 textile workers from more than 150 textile factories went on a month long strike demanding a wage hike and the implementation of labour laws. It is interesting to note that the factory owners in Ludhiana spoke the same language against workers as was used in Pakistan. They issued an advertisement in newspapers, saying: "Dear Chief Minister, Terrorism has Struck Ludhiana" and demanded action against the textile workers' union leading the movement (Amritpal 2011).

There have been several strikes in various other sectors in India in the last 10 years. For example, tea workers strike in more than 200 tea gardens in West Bengal in 2012 (demanding a daily wage of Rs250 or

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26 30,000 spinning mill workers on strike in Panipat; http://www.financialexpress.com/news/story/172796

27 Textile production in Tirupur cluster hit by strike; http://www.thehindu.com/todays-paper/textile-production-in-tirupur-cluster-hit-by-strike/article2736914.ece; and Powerloom workers strike in Coimbatore and Tirupur; http://www.fibre2fashion.com/news/textile-news/india/newsdetails.aspx?news_id=102677

US$ 5.00)[28] and an interesting strike of almond processing workers in Delhi. However, a more dynamic labour movement has been emerging in formal sectors, more focussed in the automobile industry, but also spread in other industries such as electronics and food sector. In the last decade a new wave of workers' struggle in the formal sector has emerged, mainly on the issue of the formation and recognition of trade unions. This phase can be said to have started with the Honda workers' struggle in Gurgaon in 2005. Thereafter, we observe a continuing wave of such struggles (Pratap 2010). These include the Hyundai workers' struggle in Chennai between 2007 and 2011; the MRF workers' struggles in Chennai, 2006-2009; the Graziano workers' struggles in Noida, 2007-08; the Pricol workers' struggle in Coimbatore, 2009;, the Nestle workers' struggle in Rudrapur Uttarakhand, 2009; the Rico Auto and Sunbeam workers' struggle in Gurgaon, 2009; the Foxconn workers' struggle in Chennai, 2010; the Satyam Auto and Rockman Industries workers' struggles in Haridwar, 2012; the General Motor workers' struggle in Gujarat, 2011; the Pepsico India workers' struggle in West Bengal; and the ILJIN India Electronics workers' struggle in Noida, 2012; the Bajaj Auto workers' struggle in Chakan and Pune, 2013; and the Maruti Suzuki India workers' struggle in Gurgaon, which has been ongoing since 2011.

In all the above struggles, the major issue was related to trade union rights. The workers either attempted to form a trade union, or after the formation of a trade union demanded recognition of their trade union and the corporate-state collusion unleashed a large scale victimisation and repression against them. In most of the cases, particularly in later struggles, the issue of regularising the contract workers had been inbuilt in the process of unionisation. In most of the struggles the contract and regular workers came together, with varying levels of unity, thereby challenged the capital's strategy of dividing contract and regular workers.

The Maruti Suzuki struggle brought it to a culmination by a) strongly raising the demand to abolish the contract labour system, and

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b) going for a second occupation of the factory on the issue of contract workers. At no stage were the workers prepared to compromise on this issue. Another important aspect of Maruti Suzuki workers' struggle is that it came out with innovative strategies, for example the strategy of factory occupation, that increased the effectiveness of the struggle, They decided to remain inside the factory day and night and stop the factory's operations, rather than move out of the factory. Maruti Suzuki workers struggle was also benefitted from a qualitatively higher level of traditional trade union solidarity in the region, developed through the continuous struggles of auto workers in the region. The Joint Trade Union Council of Auto-workers' unions fully supported the Maruti Suzuki workers with qualitatively higher levels of solidarity action, such as solidarity strikes. However, during the struggle a qualitatively new and higher form of solidarity action emerged. There were simultaneous factory occupation by workers of two other units of the company, Suzuki Power Train and Suzuki Motorcycles, where the same issues were raised.

The most important aspect of the Maruti Suzuki workers' struggle that makes it qualitatively different from most of the above workers' struggles is in its strong social linkages. On the one hand, the struggle was able to build strong links with various pro-labour social and political organisations, including various leftist groups working in the NCR Delhi. At the same time, they successfully mobilised the local people in support of their struggle and against the injustice done to them by corporate-state collusion. It was the strength provided by these social linkages that after being crushed again and again, the struggle did not accept defeat and emerged again and again with a new power, new collectivism between contract and regular workers, and with an expanded alliance in society.

In second stage of the movement after the 18th July incident[29], when the workers were fully crushed, and when Suzuki management and the state was mobilising the local elites against the workers, and whole

29 HR manager of the plant died in the factory on 18th July when clash with workers was going on, and mass arrests of workers followed.

media was creating an atmosphere against them, without the above social links it was not easy for the struggle to rise up again. It is probably one of the India's longest factory workers' struggles of the decade, and is yet ongoing. So far, 147 workers have been jailed and their bail applications rejected by the courts. In all, 2,300 workers, including 546 regular workers, have been terminated (Pratap 2013).

In recent decades, another important feature of the Indian labour movement has emerged, wherein almost all the central trade union organisations (CTUOs) have come together to form a joint trade union council and organised a series of general strikes, almost one every one-two years. In the leadership of central trade unions, 200,000 workers organised a demonstration in Delhi in February 2012, and 1,000,000 workers across India courted arrest in November 2012. The major demands have included: raising minimum wages to INR10,000 per month; a decrease in the price of essential commodities; a halt to further privatisation of public sectors, universal social security coverage; and compulsory registration of trade unions within 45 days (ITUC 2012). Strikes and demonstrations have increasingly been taking a more violent turn, and so also has the repression. In India the media completely ignores the labour movement, and therefore reduces the impact of the general strikes and demonstrations. For example, there was little, if any, media coverage of the above mentioned events of the labour movement in 2012.

III. Erstwhile Socialist Economies

Erstwhile socialist countries have very different labour relations dynamics and industrial relations systems. These countries, including China and Vietnam decisively changed their path of development and started moving on the capitalist road of development in the late 1980s and early 1990s. We have already discussed Cambodia and put it under the category of underdeveloped Southeast Asian countries, because after the destruction of all industries and the dismantling of old socialist enterprises and labour relations systems in the decade long civil war, it has no communality with erstwhile socialist countries. In Mongolia the Communist government collapsed in 1990, and it was replaced by a multi-party democracy, and thereafter a wholesale privatisation transformed all economic and social dynamics in such a way that it too looks more like an underdeveloped Southeast Asian country than a China or Vietnam, except in its social dynamics.

The socialist economies of Vietnam and China were transformed, but the single party political system continued. Large-scale economic restructuring, including the dismantling of communes and state farms, privatisation of state enterprises, and dismantling of the lifelong social security system, led to massive retrenchment in state-owned enterprises (SOEs), rapid expansion of private sectors, large-scale migration of rural workers to urban industrial centres, rising unemployment and an increase in the vulnerabilities of workers in overall terms.

The evolution of a new industrial relations system in China is probably the most interesting and unique case. The special economic zones in China acted as both development models and laboratories for new economic policies and new industrial relations system. The zones enjoyed autonomy and special authorities for innovations and experimentations of various policies and legislations. Most of the labour laws were first evolved and tested there and then adopted in national legislations and made applicable all over the country. The labour laws that evolved in this way in China provided the most innovative way of institutionalising flexible labour relations and in the meantime provided significant social security benefits for workers to survive in such flexible employment relations. The Labour Contract Law 2007 makes a written employment contract compulsory for all workers engaged excluding casual labour, but provides for four categories of employment: a) Continuing: with no termination date and terminable only for a valid reason; b) fixed term: for a specific period and with a resignation date; c) contracts for a specific task or project based contracts: Terminates when the task or project is completed; and d) casual workers: engaged without any contract on the basis of hourly remuneration, terminable any time without notice and without any severance pay, permissible for no more than four hours per day, and no more than 24 hours per week.

There is enough space for engaging flexible labour, but even then employers engage large numbers of unrecorded labour in the form of casual workers (illegally engaged for longer periods), just to avoid social security contributions and severance pay. The Labour Dispute Resolution Law 2008 follows lengthy procedures of mediation, arbitration, and litigation. The right to strike was removed from the constitution of China in 1987, but when the workers forcefully made it a very visible reality across China, then the labour laws and the trade union act of 2001 made a mention of it, called them work stoppages (not strikes). However, the law maintains a silence on the right to strike (or work stoppages). The right to form a trade union is restricted within the system of a single trade union system which virtually translates the reality in absence of any such rights. It is in this new legal environment that strikes in China have been in the nature of wild cat strikes, without any process, without any visible organisation and without any visible leadership. The Social Insurance Law 2010 provides employees with Old-age insurance, medical insurance, unemployment insurance, work-related injury insurance and child-bearing insurance (Leong and Pratap 2011).

In Vietnam also a large proportion of workers are engaged with short-term contracts. Flexible labour relations are more or less institutionalised. Vietnam also has a similar single trade union system with similarly restricted trade union rights, and a similar dispute resolution system. Although the right to strike is recognised in Vietnam, it is highly restricted. These situations led to waves of wild cat strikes in Vietnam. To deal with these situations and pacify labour, the government implemented a new legal and institutional framework for industrial relations. The Labour Law (1994) and the Trade Union Law (1990) laid down rules on collective bargaining, but in practice it remained largely a formalistic and bureaucratic exercise. Freedom of association, in real terms, does not exist at the workplace. Collective bargaining coverage was usually lower than the trade union density. However, the gap between union density and collective bargaining coverage has gradually narrowed, as more enterprise-level trade unions joined the national campaign for collective bargaining. In 2006, the National Assembly of Vietnam revised the dispute settlement chapter of the Labour Code 2002 to bring the wildcat strikes into a legal framework. In 2007, a new National Tripartite Industrial Relations Commission was set up to design and implement new industrial relations policies (Yoon 2009).

Flash points of the labour movement in socialist economies

Both China and Vietnam clearly emerge as flash points of the labour movement in Asia. The major issues of the labour movement in these countries include: a) Absence or near absence of rights to independent trade unions and collective bargaining; b) forced to adopt the methods such as wild cat strike and face repression; c) intermittent periods of employment and unemployment and insufficient social security; d) low wages and serious problems of occupational health and safety; and e) the double tragedy of rural migrant workers. These issues have been aired and protested in waves of wild cat strikes in China and Vietnam.

China

In China, the labour movement has passed through three phases. In the initial phases the strikes undertaken almost everywhere in China was the work stoppages in the real sense of the word—suddenly stopping work but not leaving the workplace. The movement entered its second phase at the beginning of the 21st century. This was seen in the waves of wild cat strikes in Shenzhen and other cities in 2007-08. In most of these strikes the strategy was to come out of the workplace peacefully and block the roads, and thereby compelling the government authorities to address their demands. The movement entered in the third phase with waves of strikes in 2010. In these strikes rather than blocking roads, the workers stopped or attempted to stop the production and enter into direct negotiations with the management. The length of the strikes also increased. Most importantly in some of the strikes, the workers openly raised the general demands of labour rights, along with specific workplace demands (Leong and Pratap 2011).

In recent years, the number of strikes both spontaneous and organised increased in China and on average each day around 1,000 workers have been involved in industrial action in Guangdong Province alone. Strikes/ protests are generally dispersed by the armed police and they lead to victimisation of workers, in the form of dismissals, black listing, arrests and sometimes also political charges. However, it is worth mentioning that despite all these, there is an increasing tendency, particularly in the local administration, to consider the strikes as a normal affair, and so the level of hostility against the strikes and strikers has been in general reduced to a large extent. This is also one of the reasons that many strikes are emerging successful in terms of compelling the companies for some form and some level of collective bargaining. The All-China Federation of Trade Unions (ACFTU), the only legal union in China, still avoids direct engagement in workers' collective disputes and protests at the plant level, but some of its branches have started offering legal-aid-related services to workers.

The situation of migrant workers is still the same in terms that they suffer from low wages (half the salary of urban workers) and excessive working hours. Their precarious situation was reflected in the fire in 2011 in an illegally constructed garment factory near Beijing, in which 18 migrant workers died and 23 others were injured. Later 80,000 migrant workers working in various such factories and small workshops were expelled from the district. During the same period, rumours of a pregnant migrant hawker allegedly beaten to death led to three days of rioting in south China, the arrest of 19 and detention of 100 migrants. In the same period, in the nearby city of Chaozhou hundreds of migrant workers, aggrieved on the issue of unpaid wages at a ceramics factory, attacked government buildings and set vehicles ablaze. In 2011-12, there were many important strikes of workers in China, including taxi drivers' strikes against rising fuel prices and stagnant wages, a strike of bus drivers and conductors on the issue of wages and wage setting policies, a strike of 2,000 coal miners on the issue of the closure of Baidong mine, protest demonstrations of hundreds of laid-off textile workers for proper severance pay, a strike of 2,000 truck drivers against rising fuel prices, protest demonstration of workers at the Nanjing

Huafei Colour Display System Co. Ltd. against alleged corruption in the factory's bankruptcy, leading to layoffs, and offering very low severance payments, a strike of 4,000 electronics workers of Simone Handbag factory in Panyu, in southern China against low pay, a strike of 8,000 Chinese workers of a Nanjing factory owned by LG of South Korea against the shutting down 80 production lines, and a strike of 2,000 workers at the Guanxing Precision Machinery Product Factory making parts for Japanese watchmaker Citizen Holdings Co. Ltd. against bad working conditions, deductions of pay and overtime (ITUC 2012).

Among the important recent strikes, a furniture workers strike in 2013 at Diweixin Product Factory in Shenzhen is worth mentioning, in order to understand the dynamics of lower ends of the value chains moving to low wage hinterlands with a steady rise in wages in the main industrial zones, such as Shenzhen, and to see how the employers openly violate the labour rights and the police blindly takes their side.

The Diweixin factory was set up by Hong Kong people. Early in 2013, workers in the factory heard that there were plans to move it to another location. This was in line with the emerging trend in Guangdong where more and more factories were moving to other low wage provinces or to low wage Southeast Asian countries to lower the costs of production. On 7th May 2013, some 300 workers went on strike against the planned relocation of the factory, and to demand enough compensation for workers in the event of such a move. But the employers out rightly refused to compensate the workers. The workers obstructed roads and marched to the local government office and submitted their petition on this issue. The strike continued for two weeks. Finally, the employers offered the workers a compensation of RMB 400 for every year of service. However, this was lower than the standard prescribed by law. Angered by the attitude of the employer, the workers collectively marched tothe offices of the local authorities to organise a protest demonstration, but they were stopped by the police and many of them were arrested. The workers continued their strike and protests for the release of the arrested workers. At the end of 2013, a workers' leader called Wu Guijun was still in prison, charged with committing a criminal offence. This was such a naked case of repression of workers that it triggered the concerns of people in China and Hong Kong, as well as attracting international attention, and a strong demand was raised with the Chinese government to release Wu.[30]

VIETNAM

Vietnam experienced a wave of wild cat strikes since the adoption of the Labour Code in 1995. The difference between China and Vietnam seems to be in the fact that in Vietnam the cadres of the official trade union tend to display stronger support for striking workers and often put pressure on the management to accept the reasonable demands of the strikers, along with persuading the workers to return to work. In response to the wave of wildcat strikes in late 2005, the Vietnam trade union came out openly in support of the workers and went to the extent of criticising the government for its failure to raise minimum wages. In Vietnam, there is no institutional discrimination against migrant workers as exists in China, and this helps in building broader solidarity among all workers for taking a collective action (Yoon 2009).

In recent years, we have witnessed the emergence of a vibrant economy as well as a vibrant labour movement in Vietnam. The number of strikes has increased from about 140 cases in 2005 to 387 strikes in 2006, 541 in 2007, 762 in 2008, then slightly declining with 310 cases in 2009, and again showing a steady increase 2010 onwards. During 2010-11 there were about four strikes per week. One interesting phenomenon that emerged is that of repeated strikes in particular factories, especially in foreign invested enterprises such as the Taiwan-owned footwear factory Hue Phong Shoe Company in Ho Chi Minh City, where five large-scale strikes happened from 1997 to 2008. The strikes by and large were peaceful. Generally the workers stopped work and gathered outside the factory gates without creating much disturbance in the area, and therefore they did not invite any large-scale repression by the police. But since legal strikes are still almost impossible, and therefore, the

30 This information is based on a presentation by Samuel Li on Diweixin Product Factory workers strike in a meeting at AMRC in December 2013. Samuel Li works with Asia Monitor Resource Centre, Hong Kong

trend of apparently leaderless, wild cat strikes still dominates. They are also successful in getting significant media coverage with a significant number of apparently pro-worker newspapers (Kaxton Siu 2012).

In 2011, there was an upsurge in the number of illegal strikes, a total of about 1,000, up from 423 in 2010. The reason behind the upsurge in strikes was rising inflation while real wages remaining almost stagnant. One of the most important strikes in the 2011-12 periods was a strike by 90,000 workers at the Pou Yuen shoe factory (a supplier of major footwear brands such as Adidas) demanding a wage hike. The striking workers faced large-scale victimisation in terms of dismissals and arrests. Another worth mentioning strike is that of My Phong shoe factory strike in the Tra Vinh province in 2010 in which 10,000 workers took part. Three workers and rights activists participating in the strike were sentenced to seven to nine years' imprisonment. They have also been subjected to physical torture in prison. Do Thi Minh Hanh, a young woman of 26, has lost her hearing in one ear, and has swollen joints and stomach pains as a result of beatings received in detention (ITUC 2012).

In 2013, several strikes were held which were met with violence. In one strike at a Taiwanese-owned auto parts factory in Hanoi where workers were seeking a wage hike, one worker was killed[31]. There is another interesting case reflecting the plight of women workers in Vietnam. There had been an increasing number of complaints against the employers dismissing female workers after getting pregnant. The labour law of Vietnam have a special provision directing to avoid pregnant women and new mothers for working extra shifts. For employers it means availability of lesser number of workers for working in extra shifts. Therefore, the employers simply dismiss the women workers after getting pregnant and avoid hiring pregnant women and new mothers. In 2013, the Doojung factory, a South Korean cosmetics producer, openly announced its plans to dismiss women workers in their sixth month of pregnancy for failing to meet company regulations on working extra

31 Vietnamese worker killed at Taiwan factory strike in Hanoi; http://www.amchamvietnam.com/4611/vietnamese-worker-killed-at-taiwan-factory-strike-in-hanoi/

shifts. It also banned all female employees from having babies for the next three years.[32] According to the workers accounts quoted in news papers the workers were paid an extra VND18,000 (USD0.86) an hour for overtime work, and according to contract that they signed, they were allowed to take off Sundays but had to then work from 7am Saturday to 8am Sunday. The discontent of workers in Doojung factory was growing for a long time against such exploitative practices and in April 2013 they went on a strike.[33]

IV. Advanced Economies of Asia

These countries exhibit the dynamics of advanced capitalist economies with a greater proportion of formal industrial sectors and a very small proportion of the workforce engaged in informal sectors. The percentage of the workforce engaged in agriculture is only about six percent in Taiwan, eight percent in South Korea, 4.6 percent in Japan, 14.5 percent in Malaysia and almost nil in the urban economies of Singapore and Hong Kong. The proportion of the workforce self employed in non-agriculture sectors is 14 percent in Japan, 17 percent in Malaysia, 13 percent in Singapore and 30 percent in Korea (Table 9).

In South Korea, self employment in non agriculture sector increased from 21.8 percent in 1990 to 25.0 percent in 1999 and reached at about 30 percent in 2002. This is clearly linked with the rising unemployment. In only two years, from 1997 to 1999, the unemployment increased from 2.6 percent to 8.6 percent (Kim et al 2002). It reflects on the phenomenon of re-emergence of the informal sectors recently observed in developed as well as developing economies, due to rising unemployment.

In the formative period, the industrial relations in almost all the advance Asian economies were influenced by their inherited colonial past. Industrial relations in Malaysia and Singapore had the birthmarks

32 Foreign firms in Vietnam seeking to sack pregnant workers; http://www.thanhniennews.com/index/pages/20130519-foreign-factories-in-vietnam-want-to-sack-mothers-to-be.aspx

33 Workers strike against mistreatment in Hanoi industrial park; http://www.dtinews.vn/en/news/017004/28597/workers-strike-against-mistreatment-in-hanoi-industrial-park.html

of British colonial rule, and that of South Korea and Japan (also Philippines)[34] carried the stains of American domination. But in later phases industrial relations were reshaped and modified according to new economic and political dynamics. Maintaining industrial peace remained the primary motive of industrial relations systems, and therefore various legal and institutional devices were designed to dampen trade union activities, limit the scope of collective bargaining and control industrial conflicts.

Learning from the experiences of Japan in this regard, in 1980s the governments of Malaysia, South Korea and Singapore reshaped their industrial relations systems and imposed Japanese-type enterprise unionism and collective bargaining systems. In South Korea, the military government dismantled industrial unions and restructured them into federations of enterprise unions. The government of Singapore compelled the traditional general unions and industry unions to become enterprise unions. In Malaysia also Japanese-style enterprise unionism was imposed in the same period. Moreover, in Malaysia and Singapore, legal restrictions were placed on the bargaining agenda and employee transfers, promotions, job assignments or layoffs were excluded from collective bargaining. In South Korea, labour management consultation committees were established at workplaces to reduce the space for collective bargaining by trade unions. Governments in all these countries enjoyed discretionary powers to intervene in labour disputes and prohibit strikes. Another development took place in South Korea in the late 1980s which made its industrial relations systems more like Japan. The upsurge of democratic movements in South Korea in 1990s opened a new phase of expansion and growth of independent trade unionism. Finally, with the restoration of democracy, repressive legal restrictions on trade union activities were lifted, and the days of the monopoly of the official trade union came to an end. In this period

34 Japanese labour law was mainly based on the German labour law of Weimar Republic with modern modifications made under U.S. influence following the Second World War. In Korean industrial relations the U.S. influence came via Japan. The Philippines was under U.S. domination for a long period and its industrial relations system emerged under the direct influence of U.S.

we observe a steady growth in trade union movement with significant increase in trade union density and collective bargaining coverage. In Japan, South Korea, Malaysia and Singapore, collective bargaining coverage is roughly the same or slightly lower than union density (Yoon 2009).

In the 1990s, particularly in the aftermath of the global economic recession of early 1990s, another phase of industrial restructuring started in terms of relocating the industries to low cost destinations and a restructuring of employment relations to reduce costs and increase profits. The cumulative impact of this restructuring was felt in rising unemployment, shrinking of formal employment, and an increase in the non-regular forms of employment. Both in South Korea and Japan the industrial relations system based on lifelong employment and seniority-based wages was replaced by industrial relations based on flexible employment and productivity based wages. Numerical flexibility by hiring a greater proportion of non-regular workers, wages linked to productivity and the greater use of subcontracting arrangements became the rules of the game in new industrial relations system. With these developments, it became increasingly difficult for trade unions to exercise the right to organise and collective bargaining at the enterprise level. Trade union density declined as a result. In Japan, South Korea, Malaysia and Singapore there is generally only one union at the enterprise level, and therefore problems created by the dynamics of multiplicity of unions do not apply to this group of countries.

The Japanese labour movement seems to be entering in a new phase and it is gradually learning and evolving new strategies of organising and collective bargaining. This is observed in large-scale efforts of unions to organise non-regular workers, in particular the part-time workers which constitute as much as 23 percent of the total workforce in Japan. This is reflected in an increasing unionisation rate of part-time workers, i.e., from 2.5 percent in 1998 to three percent in 2003 and 4.8 percent in 2007. Moreover, there are attempts towards greater consolidation of the labour movement. For example, largest national Japanese trade union centre, Rengo, has been making great efforts for the merger and consolidation of industrial federations, and significant achievements were made in this direction in the metal industry sector and the commercial sector among others. Some trade unions are also working for more coordinated collective bargaining. For example, the Council of Toyota Trade Unions transformed itself to become the Federation of Toyota Trade Unions by affiliating unions of smaller suppliers which all attempt a coordinated collective bargaining in Toyota and its supply chain. However, there are some counter tendencies as well. With productivity linked wages becoming the rule of the game in collective bargaining, the workers and trade unions (obviously the employers as well) in the larger, capital intensive firms hesitate to support any kind of industrial bargaining, fearing that they may lose their advantageous position created by higher paying capacity of their employers. Therefore Shunto, which had proved an effective mechanism of coordinated bargaining ensuring relatively equitable bargaining outcomes across firms and industries up to the 1980s, lost its importance in the 1990s (Yoon 2009).

In South Korea, a strong labour movement emerged in the late 1980s and early 1990s as part of democratic movement and especially targeted against large scale restructuring and relocation of industries. However, largely the impact of the recession of 1990s compelled the labour movement for a compromise which was reflected in the Tripartite Commission of 1998. The commission issued a social pact which included the setting up of an unemployment insurance fund, coupled with an expansion of unemployment benefits; collective bargaining rights for the public sector from 1999, freedom of labour unions to participate in politics, and recognition of the Korean Confederation of Trade Unions (KCTU). On the other hand, the commission also announced a revision of the labour laws to permit layoffs and the ability to use temporary labour for periods up to one year among other issues (Kuruvilla and Erickson 2002).

With this the South Korean labour movement entered a phase where, similar to Japan, on the one hand, it faced declining union membership and on the other hand, organising and collective bargaining became increasingly difficult at the enterprise level. The only way out was to go beyond enterprise level unionism and collective bargaining. A nationwide campaign was initiated in the late 1990s to integrate enterprise trade unions into industry-based organisations. It proved significantly effective and the percentage of union members belonging to industry unions increased from 31.3 percent of the total union membership in 2003 to 51.3 percent by the end of 2007 (Youngmo Yoon 2009). But this change was limited to only a few sectors including hospital, banking sector and part of the metal sector. In rest of the sectors enterprise-based collective bargaining prevailed. The employers, particularly those in larger enterprises, opposed attempts of sectoral bargaining, and as in case of Japan, here also the trade unions in larger enterprises were hesitant to promote and support industrial bargaining.

Legislative changes in the late 1990s made layoffs easier and institutionalised flexible employment, such as agency or dispatched working arrangements and temporary contracts. As a result, employment-related issues, such as job security, regulation of non-regular workers, and factory relocation have increasingly become the most contentious issues of collective bargaining, rather than wages. The factors mirrored those seen in Japan. In Japan, particularly the auto and electronics industries were increasingly relocated to South and Southeast Asia to take advantage of low labour costs. On the other hand, in the 1990s, there was a drastic increase in outsourcing within Japan in a form called 'work commissioning'. More and more South Korean investments also moved to low cost destinations in Asia and Latin America (Kuruvilla and Erickson 2002).

The seriousness of the challenges and labour's attempt to face these challenges are reflected in a unique example. In 2007, in a sectoral collective bargaining agreement in the hospital sector in South Korea, the social partners agreed that 30 percent of the wage increase of regular workers would be transferred to a solidarity fund to finance a newly agreed scheme for the conversion of irregular workers into regular workers (Yoon 2009).

In South Korea smaller firms with less than 50 workers employ as high as 79.3 percent of the total industrial workforce and only 3.3 percent of total union membership comes from these firms. 62.5 percent of union members come from large firms with more than

1,000 workers and these large firms employ only 5.3 percent of the total industrial workforce. In South Korea large-scale efforts by the trade unions to organiser non-regular workers is reflected in the increase in the percentage of non-regular workers in total union membership which rose from 11.5 percent in 2003 to 13.9 percent in 2004 and 15.4 percent in 2005.

The trade union situation in Singapore[35] and Malaysia[36] resembles that in China and Vietnam. However, the system in Singapore and Malaysia provides greater scope for exercising right to organise and collective bargaining at enterprise level. Apparently, the workers have also a relatively better voice and better space in policy decisions, because the trade union is also part of the government. But in reality this system may be more effective in controlling the labour rather than increasing their collective bargaining power at the policy level.

With the objective of maintaining industrial peace as well as establishing a more flexible industrial relations system, various social dialogue channels were initiated in Singapore and Malaysia and played a key role in shaping the country's social and labour policy framework, particularly in setting guidelines for industrial restructuring and the introduction of performance-based pay. Performance/productivity based wage system has emerged as the rule of the game in both these countries. In institutionalising flexibility in labour relations, Singapore has focused more on functional flexibility, while in Malaysia the focus is more on numerical flexibility, i.e., on increasing the proportion of guest workers, contract workers and other short-term work contracts (Kuruvilla and Erickson 2002). However, the general picture is the same and both countries have highly flexible industrial relations and human resource practices. The workers have the right to strike in both countries, but it is made meaningless by a highly regulated administrative procedure. The

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35 The only national trade union centre is the National Trade Union Congress (NTUC).

36 There are two national trade union centres in Malaysia, the Malaysia Trade Union Congress (MTUC), registered under the Societies Act, which does not have collective bargaining or industrial action rights, and provides only technical support to affiliates; and the Congress of Unions of Employees in the Public and Civil Service (CUEPCS), a federation of trade unions registered under the Trade Unions Act.

right to collective bargaining is also highly restricted and excludes the issues of employee transfers, promotions, job assignments and layoffs. Therefore, trade unions are generally not effective in the workplaces. In Malaysia, there are reports that foreign employers often refuse to recognise unions, intimidate union activists, or insert anti-union clauses in individual employment contracts (Kuruvilla and Erickson 2002).

V. Flash Points of the Labour Movement in Advanced Asian Economies

The labour movement has been advancing in almost all the countries in this group, mainly focussed on issues related to factory closures, the rise in the number of low paid, irregular workers, wage hikes and against increasing incidents of union busting. In Taiwan, there have been a wave of protests against anti-union dismissals,[37] and a series of protest actions by workers of closed factories under the banner of the National Alliance for Workers of Closed Factories. In one action in February 2012, 100 workers paralysed the Taiwan Railways Administration system by jumping off the platforms and laying on the tracks at the Taipei Railway Station.[38] In Singapore, Chinese bus drivers went on strike in 2012, for equal pay and payment for overtime. There were strong demonstrations in Malaysia in 2012, demanding an increase in minimum wages and an end to union busting, and in 2013 the electronics workers took the streets against the refusal to recognise their union.[39] In Japan, one of the longest strikes of teachers of the Berlitz General Union Tokyo (Begunto, associated with the National Union of General Workers, NUGW) which lasted for almost two years (2007-08), was won at the end of 2012 after the High Court decided in their favour. In a similar case of the dismissal of a teacher from Yokohama, the struggle continues and the

37 Countries at risk: 2013 Report on Violations of Trade Union Rights; http://www.ituc-csi.org/countries-at-risk-2013-report-on

38 Workers' alliance vows to keep up fight for owed pay; http://www.taipeitimes.com/News/taiwan/archives/2014/02/05/2003582792

39 Countries at risk: 2013 Report on Violations of Trade Union Rights; http://www.ituc-csi.org/countries-at-risk-2013-report-on

case is pending at the Labour Commission.[40] After a long time, many of the industrial federations in Japan are gearing up for a struggle on wage hikes. Recently, in January 2014, the Japanese Electrical, Electronic & Information Union (with 600,000 members) and Toyota Motor Workers' Union (with 63,000 members) have put forward strong demands for a wage hike.[41] The Hong Kong dock workers strike in 2013 clearly gave an indication that labour in Hong Kong is coming back into action. The long struggle of dock workers in the first half of 2013 injected new life into all the trade unions and activists in the territory and that was in itself a victory.

However, among this group of countries, South Korea clearly emerges as the major flash point of the labour movement. And there are reasons for this. The country already has very high levels (more than 50 percent) of casualisation of labour. More than five million workers, or one-third of the South Korean workforce, have already been made contract workers, receiving just 60 percent of the average wages of permanent workers. Casual/contract workers have very limited rights to organise and collective bargaining. A whole anti-union environment has been created. On the one hand, new labour laws are more anti-labour in nature providing rights to employers for termination of collective bargaining agreements and reducing the number of full time workers in union along with not allowing the temporary workers to be part of union. On the other hand, big corporations, such as Samsung and POSCO, openly follow a 'no union' policy. Moreover, incidences of crackdowns on trade unions have been rising, both in the form of physical repressions and also in the form of lawsuits against them. It is interesting to note that the compensation being claimed by management over labour disputes is increasing despite an agreement eight years ago between labour and management restricting large indemnification suits, after a series of worker suicides resulted from these large lawsuits.

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40 2007–08 Berlitz Japan strike; http://en.wikipedia.org/wiki/2007%E2%80%9308_Berlitz_Japan_strike

41 Electric industry, Toyota unions to make robust pay demands this year; http://www.globalpost.com/dispatch/news/kyodo-news-international/140128/electric-industry-toyota-unions-make-robust-pay-demand

Several trade unionists were jailed in 2011 for strike related activity. The major concern of workers in this period has arisen from issues related to industrial restructuring, privatisation, closure of factories and layoffs, which are leading to mass unemployment of workers. The government and the courts believe that restructuring, privatisation and layoffs fall under the category of management rights, and therefore strikes on these issues are illegal. For example, Hanjin Heavy Industries undertook restructuring that resulted in the loss of 400 jobs, including 230 voluntary resignations and 170 dismissals. The workers' strike against this was declared illegal. More interesting, the strike of in-house subcontracting workers at Hyundai Motor demanding regular employee status in accordance with a Supreme Court ruling was also declared illegal. On the one hand, a legal strike is almost impossible, and on the other hand, in the case of an illegal strike the trade union has to face law suits by employers claiming painful amounts of compensation from workers and activists who participated in the strike (ITUC 2012).

Compelled by these situations, the South Korean labour movement is aggressively moving forward to build a strong working class power, and increasingly taking a radical shape. There have been a number of strikes worth mentioning: A strike in 2010 by irregular workers at Hyundai and the occupation of its Ulsan, Asan and Jeonju plants demanding regular worker status, the strike and occupation of the Yoosung factory in 2009; a strike by the security guards working at U.S. military bases in South Korea in 2011;, the Hanjin workers' strike in 2010; a strike by the Kumho Tyre workers in 2011; the Hongkik University contract cleaners' strike in 2010; department store workers' strike in 2010; railway workers' strike in 2011; and the Hyundai motor workers' strike in 2013. The dynamics of the South Korean labour movement is more powerfully reflected in two most important struggles of the past decade, the Ssangyong workers' struggle in 2009 and again in 2012-2013, and the most recent railway workers strike against privatisation held in December 2013 and January 2014.

The Ssangyong Motor workers' strike and factory occupation, which lasted 77 days in 2009, is one of the most glorious workers' struggles of the decade. A total of 976 workers seized the auto plant on

May 22 and held it in the face of repeated quasi-military assaults. Even if this struggle ended largely in a defeat in terms of direct gains, it was a victory in terms of boosting the morale of Korean workers, and in that it became a source of inspiration for the working class.

Three years before the 2009 strike, Ssangyong Motor Company had been taken over by China's Shanghai Automotive Industry Corporation. The downsising of the workforce started just after the takeover and within three years the number of workers had been cutfrom 8,700 to 7,000. Then, the company filed for bankruptcy and proposed a restructuring, offering the plant as collateral for further loans. Subsequently, the court approved the bankruptcy plan, pending adequate layoffs to make the company profitable again. The workers protested against proposed layoffs. On May 22, when the list of workers to be laid off was announced, the Ssangyong workers' union (affiliated to the Korean Metal Workers Union, KMWU) went on strike and the 1,700 workers, who were to be laid off, occupied the plant demanding no layoffs, no casualisation and no outsourcing. The company wanted to force 1,700 workers into early retirement and had already fired 300 casuals. The workers who were proposed to be laid off had been working in the factory for 15-20 years. For the next three weeks, until the middle of June, about 1,000 workers occupied the plant in protest. About 5,000 workers, who were not to be laid off, stayed at home, directly or indirectly supporting the occupation.

To suppress this struggle, various measures were taken, including an anti-strike rally of more than 1,500 people outside the factory gates, mainly attended by the 1,000 supervisory staff, 200 hired thugs and 300 workers from those not proposed to be laid off. In addition, 400 riot police was stationed there. Trade unions in the region responded against this and 700-800 workers reached out to defend the Ssangyong workers. There were consistent attempts by the police to arrest the workers and recapture the plant, and therefore the occupying workers also made plans for an armed defense against these attempts. A full-fledged offensive against the workers occupying the factory was launched on 26-27 June, when hired thugs and riot police entered the factory by using force. The occupying workers retreated to the paint shop. It is worth mentioning that during this period a worker, who was fired and got heavily indebted, committed suicide. At this time a strong solidarity among trade unions and other sections of the populace emerged and demonstrations were organised in the form of street campaigns, a four-hour general strike by the KMWU during which metal workers from nearby plants rallied in front of Ssangyong factory gate and other rallies. On 1 July, water and gas supply to the occupied plant were cut off by the government to compel the workers to come out. All access to the plant was blocked and negotiations collapsed. For sustenance, the workers were dependent on rain water in whatever amount they could get. On 4 July and 11 July, the KCTU (Korean Confederation of Trade Unions) held nationwide labour rallies in support of the Ssangyong workers' struggle. In addition, 927 activists held a one-day hunger strike in Seoul on 11 July. On 16 July, 3,000 KMWU members organised a rally, but they were blocked by police and not allowed to go to the factory. Of them, 82 workers were arrested. Other attempts to supply food and water to the workers also failed, with company thugs breaking all the bottles of water. On 20 July, many buses loaded with riot police and 20 fire-fighting vehicles arrived at the factory gates, and 2,000 riot police moved toward the paint shop. The workers responded with slingshots and sometimes Molotov cocktails. The big battle began on the 21st, when the police began repeatedly dropping tear gas from helicopters onto the workers, and riot police again tried to enter the paint shop. Days of fighting ensued, but by the end of July, only about 700 workers were left in the plant, many of them injured, and with only rice balls to eat and rain water to drink. On 25 July, the KCTU rallied workers and other supporters, who armed with iron pipes and stones, marched on the factory gates and fought with the riot police, however, the police force them to retreat. On 27 July, Ssangyong workers held a press conference and another rally in front of the paint plant and put forward their demands, including the withdrawal of the police, direct negotiations with management and government, and the release of the results of the investigation into illegal effluence resulting from the use of hybrid diesel engine technology. However, on 1 August, electricity to the paint department was finally cut off by the police, signalling the start of the final battle. This lasted from 3-5 August, when the occupiers were finally overtaken and the occupation of the factory came to an end. The defeat was also reflected in the final negotiations. The local union president was forced to agree to early retirement for 52 percent of the occupiers, with the remaining 48 percent to be laid off for one year without pay, after which they might be rehired.[42]

Many of the workers who occupied the factory were arrested and some were sentenced to years in prison. They faced such mental tortures that five workers committed suicide and five died from cardiovascular diseases, such as heart attacks or brain haemorrhages.[43]

Rail workers' strike in Korea, reflects on another interlinked dimension of Korean labour movement. In early December 2013, the Korean government approved a license for a new subsidiary for the state-run rail operator Korea Railroad Corp (known as Korail) to run the new Korea Train Express (KTX). Employees of Korail saw this as the first decisive move toward the privatisation of Korean railway system. In protest, about 15,000 union members who formed about 45 percent of the workforce, went on strike on 9 December. Rather than listening to their demands and concerns, Korail hired an army of scabs from its railway engineers' school and other pools, and declared that it would dismiss 4,213 unionists and also filed a damages lawsuit against 194 union leaders. A court issued arrest warrants for 10 union leaders on charges of obstruction of business operations. On the same day the police raided the union's offices nationwide. On 22 December, 4,000 riot police sealed off a Seoul building leased by the KCTU and a small independent newspaper. Riot police also conducted a 10-hour, door-to-door, warrant-less raid in an 18-story building in search of strike leaders. The massive raid on the KCTU prompted the Korail union leaders to publicly seek sanctuary in a Buddhist temple in central Seoul. In the face of this large-scale repression, workers and people from all

42 Ssangyong motors strike in South Korea ends in defeat and heavy repression; https://libcom.org/news/ssangyong-motors-strike-south-korea-ends-defeat-heavy-repression-17082009

43 Death toll mounts after defeat of 2009 Ssangyong strike; https://libcom.org/news/death-toll-mounts-after-defeat-2009-ssangyong-strike-15042011

sections of society all over Korea poured out onto the streets to show their discontent. At the same time, donations poured into the union and to the temple where the leaders were encamped. The KCTU called for a general strike on 25 February. Participation in the strike was amazing. Nearly all sections of society, particularly the youth, took part in large numbers. According to some estimates more than 60 percent of young people in their 20s and 30s supported the strike (San 2014).

From these situations people got a clear message that the attack on Korail workers and unions was actually an attack on democracy and basic public services. Thereafter, the protest demonstrations took on a political dimension, which was clearly reflected in a mass demonstration of 100,000 protesters in Seoul on 28 December. The protesters raised slogans against the clampdown on labour, privatisation of the nation's railway system, as well as against government's election manipulation scandal.[44]

The strike ended on 30 December, after two major political parties agreed to form an ad-hoc committee in the National Assembly to study the feasibility of rail privatisation. Korail management was not part of the compromise, and instead has been seeking an injunction to seize the assets of the union and its leaders as part of its 11.6 billion won (US$10.8 million) damages suit. There was also no clarity on whether Korail had withdrawn its plan to fire the unionists. It had summoned 256 unionists to a penalty commission, a routine step before dismissal. The prosecution had also moved for the arrest and detention warrants for eight union leaders who had no option but to surrender to the police after the strike (San 2014).

44 100,000 South Koreans Protest Election Scandal, Labor Clampdown; http://globalvoicesonline.org/2013/12/28/photos-100000-south-koreans-protest-election-scandal-labor-clampdown/

CHAPTER 6

Conclusions and Way Forward

The new global politico-economic regime governed by a kind of supranational state, structured in entities such as the WTO, World Bank, IMF and OECD, has increasingly institutionalised international capital mobility, and thereby provided a stable base for the new international division of labour that took shape in global supply/value chains. The nature of international division of labour is such that the low value adding, highly labour intensive ladders of the value chains are shifted to developing countries. The transnational corporations, mainly based in developed countries, are able to capture the major share of profits by their effective control on high value adding R&D intensive operations of the value chains and their monopoly on markets and finances.

Expansion of the global value chain is reflected in the expansion of operations of transnational corporations across the globe. In 1990, the foreign affiliates of the top hundred non financial multinationals of the world accounted for about one third of their total assets and less than half of their sales and employment, but by 2008, they accounted for about 60 percent of their total assets, employment and a far greater share of total sales. This was largely done by mergers and acquisitions that increased at alarming rates, reaching an all-time high of $4.38 trillion in 2007. Foreign direct investment stocks increased from 7.0

percent of world GDP in 1980 to around 30 percent in 2009. Currently, the revenues of the top 500 global corporations account for about 35-40 percent of world income. By and large they control the whole global value chains.

At the same time, the expansion of GVCs is also reflected in an overall increase in trade among developing countries, and particularly in increasing share of parts and components in manufacturing trade. In Integrating Asia, the share of parts and components (PCT) in the manufacturing trade increased from 24.3 percent in 1996 to 29.4 percent in 2006. PCT trade among ASEAN countries increased from 35 percent of manufacturing trade in 1996 to 43 percent in 2006.

East and Southeast Asia are well integrated into the GVCs. This is reflected in the integrated supply/value chains across these regions and with China as the hub of these networks. In general, South Asia's integration into GVCs has been comparatively delayed and slow that is reflected in near absence or very weak regional network of value chains. However, this applies more to those industries where the regional network of value chains have emerged as major strategy of profit maximisation, for example, electronics global value chain. In other industries, such as textiles and apparel in which regional networks of value chains do not matter much, the South Asian countries are increasingly integrated in GVCs. Similarly in automobile industry, in which the main assembly plants are required to be located in the vicinity of markets and a major section of supplier networks are required to be located in the vicinity of main plants, India has emerged as an important production centre. In South Asia, the automobile industry is mainly concentrated in India. Even in a situation of lack of regional value chain network, India is gradually moving towards emerging as one of the hubs of electronics industry by virtue of its growing market. Currently the Indian industries particularly in electronics and automobiles are integrating more with East and Southeast Asia, rather than expanding their value chain networks in South Asia. This is reflected in the fact that ASEAN countries accounted for more than 10 percent and East Asian countries more than 34 percent of India's manufacturing imports. It is expected that with the integration of south Asian economies, their integration with GVCs may also be accelerated and India may emerge as a regional hub of these value chain networks.

The nature of the global value chains in Asia is such that the TNCs based in developed countries (North America, Europe and Japan) dominate and occupy the OBM positions; for the most part firms from the newly industrialised countries (Hong Kong, Taiwan, South Korea, Singapore, and also Malaysia), along with the TNCs of developed countries dominate at the OEM and ODM positions and the developing countries of Asia are typically placed at low value adding, highly labour intensive positions of the GVCs.

In the 2000s, some significant changes emerged in the Asian structure of GVCs: South Korea increasingly moved up the value chain with the emergence of a significant number of globally competitive OBMs (along with greater specialisations at the OEM and ODM levels), and Taiwanese firms consolidated their position as ODMs, with high technological capabilities. Hong Kong and Singapore gradually emerged more as trading and financial centres than manufacturing centres, and they moved further up in the value chains and acquired the positions of managers and financiers (service providers) of the GVCs. Recently, Malaysia also entered in the group of newly industrialised countries and moved up the value chains to mainly the level of OEMs and ODMs, but also with some OBMs in certain sub-sectors of electronics and automobile

In recent decades, there has been some further restructuring of value chains in Asia. Mainly by virtue of their huge economies with huge home markets, many Indian and Chinese firms moved up the value chains to the level of OEMs a number of firms were able to emerge as competitive brands in their local markets, and a few emerged as globally competitive OBMs. This movement is stronger in China and visible in almost all sectors. In India it is visible only in few sectors including ICT services, automobiles and garments. However, the upward movement in the value chain in China and India is unlike that of the newly industrialised countries where the whole economy moved up the value chain and the lower ends of the value chains were transferred to the under-developed, low-wage economies in the region. Both in

China and India, with their huge economies, huge markets and huge regional disparities (inbuilt in the process of capitalist development) in level of economic development as well as in wages, there is immense scope for retaining their position as production hubs for exceptionally longer periods by shifting the low ends of the value chains to low wage locations within the country. However, in China, a new dynamics has started emerging, even if in overall picture the major trend still remains that the industries in major special economic zones, moving up the value chains and the labour intensive operations shifting to low wage locations in hinterlands. Increasing employment opportunities in hinterlands significantly reduced the flow of migrant workers to major zones, creating a shortage of labour putting further upward pressure on wages and further compelling the industries to shift to other low wage locations. In recent years, with increase in wages in China, orders worth tens of billions of dollars have shifted from China to various countries mainly in Southeast Asia. Increasing amounts of garments orders were shifted from China to Cambodia and Bangladesh, and some labour intensive firms in electronics were closed down. This gives a clear signal that China is compelled to move up the value chain in terms of specialising in OEMs, ODMs and OBMs, and in general it may lose in low value adding manufacturing industries, such as garments and labour intensive electronics, and therefore may be compelled to focus more on high value adding industries.

Indonesia is another large economy in Asia with diversified industrial base and a strong possibility of emerging as another regional production hub in general but with a major focus on electronics industry. The opening of the production facilities of many global electronics brands, OEMs and ODMs including Foxconn, in Indonesia as well as in India clearly reflects that these countries may emerge as new production hubs of electronics industry. Thailand is emerging mainly as an automobile production hub for the sub-region, and it is decisively moving up the value chain in this particular industry. The countries like Sri Lanka, Bangladesh, Pakistan, vietnam and Cambodia, along with India and China are emerging as major centers of textile and apparel value chain.

The nature of the GVCs remains such that high value adding activities are concentrated in the TNCs based in developed countries, and they are able to capture the lion's share of profits by virtue of their financial power, control on crucial technologies and most importantly monopoly on markers. Only a negligible share of value is captured in developing countries. Therefore, the majority of the workforce in developing countries is also locked in low-skill and low-wage situations with almost no scope for upward mobility.

The export-led growth models combined with international mobility of capital have created dynamics in which all the developing countries are competing with each other for greater share of FDI and exports and this competition lastly takes the form of waging a war against the working class in their own countries. Amendments of labour laws in favour of capital, denying rights to organise and collective bargaining, large scale informalisation of labour and repression of trade unions and labour movements, are all targeted to keep wages low and create safe heavens for foreign investors. All these factors drastically reduce the collective bargaining power of labour.

The other side of the same dynamics creates similar situations in developed countries. Shifting of industries from these countries is serious unemployment problems. Labour is facing a situation where in the sword of unemployment is always hanging over their heads. Informalisation of workforce and cut in social security benefits have increased their vulnerabilities many folds. The cumulative impact is felt in declining collective bargaining power of labour. Recurrent crisis is another important factor that increases the vulnerabilities of labour both in south as well as in north. The workers in countries more dependent on exports suffer the worst. This was reflected in the recent global financial crisis (2008), when millions of workers in Asian developing countries lost their jobs, including those in India, Pakistan, China, Malaysia, Cambodia, Vietnam and elsewhere.

In overall terms, the whole development based on export oriented growth benefitted only a small section of people in developing countries those engaged in managing and facilitating the global supply chains including enterprise owners, managers, engineers, financiers, big traders, professionals in various services, those running or engaged in higher positions in educational institutions, bureaucrats and politicians; while increasing the vulnerabilities for majority of population. The economic development transformed the developing economies from agrarian to urban economies in terms of composition of GDP, but it was unable to create enough employment opportunities. Therefore major section of workforce is compelled to survive on tiny agricultural holdings or precarious informal sectors. On the other hand, this economic development was accompanied with large scale dispossession of the people from their livelihoods. The cumulative impact was exceptional expansion of reserve army of labour.

The nature of economic development also led to the emergence of strong monopoly corporation controlling the economy of nations and thereby also decisively impacting the politics and policies. For example, in South Korea, the five largest chaebols, i.e., Samsung, Hyundai Motor, SK, LG and Lotte, accounted for about 55.7 percent of South Korea's GDP in 2010.[45] Samsung alone accounts for more than 20 percent of the GDP of Korea.[46] These *chaebols*, especially Samsung, play a decisive role in framing South Korea's economic policies and politics in general, and this dynamics are always reflected in the state's policies in terms of the dominance of 'profits over the people'. Similar situations are emerging in many developing countries as well where few bigger corporations are dominating the economy and influencing the politics and policies.

Moreover, with the emergence of supranational institutions with an authority to legislate as well as powers to enforce legislations internationally and regionally, and with a broad consensus among most of parliamentary parties on new global politico-economic regime in almost all the Asian countries, the power of working class to affect policies is minimised to a large extent. The implications of this are felt in democracies virtually getting reduced to formal democracies, wherein

45 Korea – Country Profile, News and Original Articles; http://www.globalsherpa.org/korea-south-north

46 Jun Yang (2012). Samsung's Family Feud; http://www.businessweek.com/articles/2012-06-06/samsungs-family-feud

people may elect and change the governments but this does not bring any change to politico-economic regime.

It is in this background, a new kind of labour movement emerged in almost all Asian countries, both in developed as well as developing economies. In developed countries, the major issues of the labour movement are related more to shifting and closure of firms, the privatisation and sale of firms, the retrenchment and downsising of the workforce, the downgrading of social security benefits, the rise in non-regular workers, the violation of trade union rights, the shrinking space for collective bargaining, and stagnant or declining wages. In developing countries, the major issues are related to low wages, minimum wages becoming maximum wages, excessive working hours without any rest, the alarming rise in occupational health and safety problems, very minimal or no social security benefits, very limited or absolutely no scope for collective bargaining, severe forms of repression of workers and trade unions.

Among advanced Asian economies the hot spot of the labour movement is clearly emerging in South Korea and this is reflected in a number of strikes involving factory occupations, and in the exceptionally large-scale demonstrations such as during the recent railway workers' strike against privatisation. It is also reflected in the large-scale and very severe forms of repression unleashed on the Korean workers' movement.

In East Asia, China and Vietnam have clearly emerged as hot spots of the labour movement. In recent decades, the labour movements have been able to achieve some kind of collective bargaining rights, even if the legal situation remains by and large the same with the monopoly of official trade unions.

In Southeast Asia, Indonesia and Cambodia have emerged as hot spots of the labour movement. In Cambodia, the labour movement is centred in garments. In Indonesia it appears as general phenomenon and is reflected in the massive general strikes in 2012 and 2013.

In South Asia, India, Bangladesh and Pakistan are emerging as major flash points of the labour movement. In Pakistan this is more focused in the textile industry and in Bangladesh it is centred in garments. It appears more as a general trend in India, however more focused in some sectors such as automobiles, electronics, food and textiles. With this understanding of the dynamics of international capital mobility and global value chains, as well as the labour movements emerging across Asia, the following issues can be seen as major areas of concern for the Asian labour movement in the way forward:

1. With informal-non regular workers increasingly making up a greater and greater share of the workforce in almost all countries and all industries, the collective bargaining power of labour at firm level has declined drastically. With these situations the decentralised bargaining on the basis of productivity is in the interest of capital rather than labour. Therefore, the labour movement can increase its collective bargaining power by integrating itself at industry level and focussing more on collective bargaining at industry level. Increasing realisation on this aspect is reflected in the labour movements of both developed (i.e.,Japan and Korea) and developing countries. However, the workers and trade unions in larger firms in formal sectors are largely not ready to promote and support industry wide bargaining out of fear that they may lose the advantage of better bargaining outcomes ensured by better paying capacity of their companies. Therefore, the strategy as a way forward may be industry level bargaining for fixation and revision of minimum standards for wages, working conditions and OHS across the industry, with an insured space for firm level collective bargaining over and above the minimum standards
2. Since the informal and non-regular workers in developing countries form the majority of the workforce, and the minimum wages are becoming maximum for all of them irrespective of experience and seniority. Minimum wage legislations and MW Boards periodically revise the minimum wages to adjust them to inflation, but wage increment policy is not included in MW legislation in any country. MW has emerged as one of most important issues of the labour movement in Asian developing countries. They largely focus on revision of MW that is done for adjusting it to inflation. But the demand for a

wage increment policy, that may ensure uplifting of living standards of workers by enforcing distributive justice, is still not articulated in demands. MW in most of the countries is actually below the amount that one arrives by the accepted methods of MW determination, and the process is never transparent in terms that breakup for different items that make MW is never disclosed. Therefore, the wage increment policy and transparency in fixation and revision of MW may be the focus of labour movement's strategy for a way forward. Wage increment policy may be the part of the MW legislation with a provision for periodic increment in wages over and above the adjustment for inflation and performance linked increments.

3. The industrial structure and labour relations have changed in the new international division of labour, therefore the labour laws also need to change to ensure effective collective bargaining. Brands and contract manufacturers (OBMs and OEMs) for which the local units produce, are equally responsible as employers (sometimes even more responsible) along with local employers and therefore they must also be made equally responsible under labour laws for ensuring decent wages and working conditions and collective bargaining rights to workers. Moreover, almost all the workforce including the informal sector workers are increasingly integrated in the value chains, therefore the labour laws must be universally applicable to all workers including informal sector workers. This may be one of the most important issues for the labour movement in its strategy for a way forward
4. It is becoming increasingly evident that solidarity across the value chain in a particular country and international solidarity across the value chain in a particular industry is an important determinant for effective collective bargaining and effectiveness of the struggles for labour rights. This is one of the most important aspects of the way forward for the Asian labour movement. International solidarity is also one of the most effective weapon in the hands of working class to challenge the disastrous movements of capital.
5. With miserable conditions of informal sectors and in absence of enough employment opportunities, major sections of informal

sector workers are compelled to act as reserve army of labour. Implications of this are reflected in declining collective bargaining power of labour and downward pressure on wages. Therefore, organising the informal workers to empower them economically, socially and politically may be an important part of strategy of the Asian labour movement. Helping informal sector workers in making their livelihoods more economical and more sustainable and to move out of reserve army of labour, may bring a great impact in terms of increasing the collective bargaining power of workers in general

6. Most of the issues of the working class movements in both developed and developing countries are inbuilt in the new global politico-economic regime, and any broad change of these aspects cannot be achieved without strong political power. of the working class. Therefore, the working class movements in Asia can advance only if they are able to build significant political power to affect the socio-economic policies at home. It is with this realisation, we observe consistent efforts particularly in South Korea and Indonesia toward political consolidation of the labour movement. There are such moves in other countries as well but these have still not emerged as a strong trend. This aspect may be one of the important factors for way forward for the labour movements in various Asian countries.
7. Organising and collective bargaining was comparatively simpler when the industries were largely local and producing largely for home markets, and self employed sectors were largely the subsistence economies. With integration of economies in global value chains, and emergence of other related dynamics, it no more remains a simple case. For developing successful organising and collective bargaining strategies in new conditions, activists need to understand the dynamics of new global politico-economic regime and new international division of labour shaped in global value chains. Without an exposure and linkage with the broader labour movement at country level, and at international or at least regional level, it is impossible to build sectoral and international solidarity needed to win the struggles in new situations. Therefore, the

training and education of activists, as well as providing them with exposure to regional labour movements, emerges as an important focus area for Asian labour movement.

8. Increasing corporatisation and monopolisation of the media and their systematic, inbuilt anti-labour agenda has created a situation wherein labour has become invisible, and their actions are by and large made ineffective. For example, after 2000, a series of general strikes in India in which millions of workers participated, and in which tens of thousands of workers marched in large demonstrations in the capital city of Delhi, were barely covered and many times were completely ignored by the media, reducing the effectiveness of labour actions to the extent that the majority of the population did not even know about it. In these situations, it becomes increasingly important for labour movements to create their own national media.

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