International Capital Mobility, Global Value Chains and the Emerging Labour Movement in Asia

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Chapter 1

Introduction

In last three decades, there were see changes 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 was decisively changed, not for the better, but for the worst. This was accompanied with a downfall of the labour movements as well as the social, cultural and political movements. As the socio-political and economic structure and the whole socio-political environment that existed up to late 1970s and early 1980s gradually changed and decisively transformed in 1990s, the socio-cultural and political movements of that period were also got marginalized and lastly became irrelevant. With restructuring of economies and industries and with an overall anti-labour environment, trade unions were by and large paralyzed and their collective bargaining power declined drastically. In some Asian countries, in this period, workers had virtually no right to organize and collective bargaining because on the one hand, the political scene was dominated by authoritarian regimes and on the other hand, industrial relations scene was dominated by single official trade union. These were the most painful years for the working class in Asia, when they were facing a most powerful aggression of the global capital in a situation when they were largely disarmed. However, after a decade, the labour movements started reemerging all over Asia. In some countries, particularly in east and South East Asia, the labour movements reemerged early largely linked with the upsurge of democratic movements in those countries, and in other countries it took slightly longer time, and in many countries it is still in the process of reemerging. On the whole, in 2000s the labour movement is clearly seen re-emerging in East and South East Asia, as well as in South Asia. But it is still largely scattered and struggling to take a strategic shape to be able to effectively challenge the capital in the new system of global factories. This is the greatest challenge before the labour movement in Asia. The organizing and collective bargaining was comparatively simpler when the industries were largely local, value chains were largely concentrated under same roof or at least in the same country, producing largely for the home markets, and the self employed sectors were largely the subsistence economies. With emergence of new international division of labour taking the shape in global value chains, large scale informalisation of workforce, integration of informal sectors in industrial value chains, and with institutionalization of the international capital mobility and the emergence of other related politico-economic dynamics, it no more remains a simple case. In the new situations, from the day one, the labour movements have an inbuilt international dimension, in terms that, whether they know or not, they affect and got affected by interlinked value chains of their industries spread across the globe or the continent. Moreover, it is impossible to clearly understand the root cause 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 organizing and collective bargaining without situating it in the value chain dynamics.

Based on this realization, this book is written as an educational material for labour activists striving effortlessly and giving sacrifices for strengthening the labour movement in Asia.

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

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

The fourth chapter analyses the impact of the international capital mobility and global value chains on workers. It attempts to explain how the global value chains lock most of the developing country capitals at low value positions and labour at low wage conditions, with no or least scope for upward mobility. It analyses how upward mobility in the value emerge as strong tendency, but it is not in terms of whole economy moving up the value chain, but only few enterprises moving up the value chain. It also provides an analysis how the nature of development with export led growth models transform the developing economies from agrarian to industrial-urban economies in terms of composition of GDP, but without any simultaneous transformation of workforce structure. The impact of this dynamics of development combined with large scale dispossessions led to the emergence of huge reserve army of labour that is either surviving in various precarious informal sectors or as floating labour. A brief analysis is attempted to explain how the cumulative impact of all these developments result in drastic decline of the collective bargaining power of labour.

Situating in the analysis provided in previous chapters, the fifth chapter attempts to categorize the countries in 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-South Asian under developed countries, South East 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 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 the four groups of countries and also highlights the major hot spots of the labour movements.

The sixth chapter sums up the major aspects of the capital mobility, 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 for the Asian labour movement as a way forward.

Chapter 2

Financialization, International Capital Mobility and the Global Value Chains

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, realized in selling it for a Profit (M - C - M'). Capital is not just wealth, but wealth that grows through the process of circulation. In order to expand, capital must purchase a commodity, labour power, and when this labour power is engaged in labour process, it creates new value (C - C').. Therefore the wealth becomes capital only in certain historical conditions, such as when the forces of production develop to a level wherein a) people can produce more than they need to live (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. The capital's main concern therefore is to maximize the surplus value by: a) Maximizing 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; b) maximizing 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 mechanization. This is also done by paying lower wages than equivalent of workers' needs, by such innovations in production processes and techniques that enables them to run production by engaging more and more unskilled/semiskilled, low cost vulnerable and flexible/informal labour force, and through the violation of labour laws.

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 appropriation of additional surplus value. This is called 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 centralization 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 the capital accumulation proper, the primitive accumulation continues to be an important form of capitalist expansion, till there are any resources/ means of production left in the hands of people in any part of the globe. Moreover, this is not a one way process, rather a process of continuous conflict; on the one hand, the capital continuously expropriates people from the means of production, and 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. Actually, in developing Asian countries, the current phase of globalization appeared as international 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 land, forests, water resources and mines etc and privatisation of public sectors leading to large scale dispossession and displacement of people.

It is clear from the above accounts that the 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 itself. The expansion of capitalism goes hand in hand with the concentration and centralization of capital, which creates a double crisis. Firstly,, there is a tendency of falling rate of profits due to higher organic composition of capital, i.e., a general rise in the levels of mechanization and automation and therefore a rise in proportion of constant capital (invested in machinery-infrastructure) versus variable capital (invested in wages); and secondly, 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 and therefore creating a crisis for the realization of profits.

Let us attempt to explain it in more simple way. As we discussed earlier, the labour power is the only commodity that produces the surplus value. The process of production is labour process, precisely because the labour is the only active agent and variable factor in the process. The value of raw materials, machinery, and infrastructure simply get added in to the new commodity produced, but labour power by way of labour process actively engages to create the new commodity and adds an additional value in 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. The capital will hire a labour only when the value of labour power is less than the value it creates in labour process. This additional value is the surplus value that capital appropriates from labour. Now let us consider that there are so many enterprises at the same technological level, producing the same commodity of same quality and they are competing with each other to increase their rate of profits and to capture greater share of 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 rate of profit even by selling the commodities at lower price than others and by virtue of low price it may also capture the 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 more barbaric exploitation of labour than others, but this has a limit, 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 to get more production per worker. The investment in machinery is one time long term investment and its cost per day is only nominal. On the other hand, it increases the productivity of workers alarmingly. Now with lesser number of workers many times more pieces can be produced, and therefore the labour cost is reduced drastically. This results in reduction of the cost per piece of commodities in a big way. The enterprise with this advantage is able to reap super profits even if selling at lower prices than others and in the meantime captures greater share of market by throwing many enterprises out of business. Only those enterprises remain in businesses that are able to attain the same level of technological advancement. Then the next level of competition starts among them. This competition is an ever going process and it is in this process two tendencies appear strongly: a) the market is gradually monopolized by only few huge enterprises, and b) organic composition of capital (C/V), i.e., the proportion of capital invested in constant factors (C) like machinery-infrastructure-raw materials to the capital invested on variable factor (V), means wages paid to labour, increases drastically that generally gets reflected in the employment growth rate decreasing drastically.

These developments lead to three strong tendencies:

1. With increasing automation, the capacity of production increases dramatically and the markets gets over flooded with commodities beyond the purchasing and consumption capacities of the society in given geographical boundaries. Moreover, with drastically declining investment in wages i.e, declining employment growth rates the purchasing power of society also declines drastically. This creates a crisis of realizing the profits, because the surplus value can be captured by enterprises only when the commodities are sold.
2. Increasing organic composition of capital i.e., declining proportion of investment in wages results in declining rate of surplus value. Therefore rate of profit also decreases.
3. Emergence of Huge corporations exercising effective monopoly on the markets

It is to be understood here that with decreasing labour costs, the cost of commodities decrease, and therefore their market price also decreases. This is why the rate of profit records a decline. This dimension reflects on how technological advancement is in 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 accessible to the broader sections of the society. But suppose the decrease in cost of production does not result in declining market price of the commodities, then the rate of profit may not record a decline, or the decline may not be that drastic. But where from this profit will come? The profit is nothing other than the surplus value created by labour, and if the rate of surplus value produced in the enterprise is declining, how and where from it can still capture the same rate of profit? It may certainly amount capturing the surplus value generated elsewhere or further loot of the wages and incomes of workers from society as a whole. In a competitive environment it never happens, prices of commodities generally keep on declining with decrease in production costs. But this dynamics emerges when the markets are monopolized by few enterprises and collusion is formed between them in terms of not entering in any great price wars. For increasing their profits monopoly corporations compete with each other in monopolizing the crucial natural resources and automation to reduce the cost of production, but decrease in prices are very little and never comparable to the decreasing costs. It is in this background we can understand the monstrous character of the monopoly corporations that are actually prospering by loot of the wealth created in society as a whole, over and above the surplus value generated in their own enterprises, and a further loot of the wages and earnings of workers from society as a whole. But on the one hand, this also has a limit, and on the other hand, such absolute kind of monopoly is generally not possible, and so the tendency of falling rate of profits never disappears. Under utilization of production capacities further contributes to declining rate of profits. Moreover, the monopoly dynamics further leads to a decrease in the purchasing power of society and saturation of markets. Rather than taking any interest in increasing the purchasing power of workers and people at large by increasing their incomes and lifting their living standards, they invest trillions of dollars in advertising their products. This crisis continuously got reflected in boom-bust cycles. Initially the recoveries after the crisis brought the situations to the previous levels of growth. But it is generally accepted that the capitalism entered in a systemic crisis since 1970s, i.e., thereafter the recoveries were never to the extent of bringing the situations to the previous levels of growth. The most serious aspect of the crisis is reflected in saturation of profitable investment opportunities in developed countries. The global capital's aggressive move to force open the developing economies was directed to resolve this crisis by creating new profitable invest opportunities for global capital.

It is generally considered that a growth rate of three percent is the minimum acceptable level at which “healthy” capitalism can continue to operate. A growth rate below 3.0 percent is problematic and may lead to a crisis that may take a serious shape with further downfalls. In 1970s the developed countries entered in a situation where in Maintaining a three percent growth rate meant finding new profitable global investment opportunities for $0.4 trillion. The crisis continued and in 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 progressively declining. Comparing the decade of 1970-80 with 1980-90, the rate of increase in international productive capacity declined from 5.51 percent to 2.27 percent, and it reached to 1.09 percent in 1990-2000, and 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 next decade to 0.19 percent in 1990-2000. During this last period, plant utilization 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 from 20% it reached to 5%, and out of this 5%, about 40% 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 more than 30% and in the period 2002-5 it fell more than 35%. Between 1954 and 1979 the rate of profit fell by more than 50 %. In the period 1985-97 there was an extraordinary recovery of around 20%, finishing with the years 1997-2002 which saw a fall of 21% 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 US 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 US 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 very low organic composition of capital. Therefore they were seen as new attractive destinations for profitable investments with immense scope for capitalist expansion.

We can understand the importance of the issues related to financialisation, capital mobility and emergence of global supply chains in the above background.

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FINANCIALISATION

The financialisation is a shift in the gravity of economic activity from production to finance. 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’.

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

All the above three trends are interrelated. The long-term stagnation in growth that started in 1970s was the major factor leading to financialisation of capital accumulation. The most import factor behind this stagnation was alarming inequality of income and wealth created in the process of capital accumulation, which limited the consumption demand at the lower income levels of the economy. Moreover, capital accumulation goes hand in hand with concentration and centralization of capital and hence resulting in monopolization. Monopolization 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 particularly because monopoly corporations avoid overproduction and price reductions. These situations create barriers that limit the profitable investment opportunities. Other factors at work in this economic environment include the saturation 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, hedge funds, etc. The result has been a skyrocketing of financial speculation. This trend was never reversed and emerged as a new 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." (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 worlds recorded music. Ten companies dominate the world's pharmaceutical 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, it 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 five hundred 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 amongst 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 US and including important airlines of 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 aggravates the problems of stagnation and actually also emerged as one of the factors behind the spread of this stagnation across much of the globe. In overall terms it 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. Therefore, it was also in a way globalization of financial crises that decade after decade emerged more frequently and in more severe form.

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, and later 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, restructuring and revising 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 state 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 against financial crises included hammering the general public, cutting back on social services, 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 the symbiotic aspects of the same deep rooted crisis. The financial superstructure of the capitalist economy can never expand entirely independently of its base in productive economy, and therefore the bursting of speculative bubbles is a recurrent problem. Financialisation, no matter how far it has extended, can never overcome the stagnation within production.

Within the capitalism, to some extent this crisis can be resolved, 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 using these funds to increase the level of social security benefits etc), 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 capitalism 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.

To enforce these strategies of neoliberalism, a new form of supranational state is being created with its various arms represented by the World Trade Organization (WTO), International Monetary Fund (IMF), World Bank, Organization of Economic Cooperation and Development (OECD) and others, with powers to internationally legislate and enforce regulations on various nation states. This supranational state is a power without any base in the society, and is answerable only to representatives of monopoly finance capital and not to any group of citizens. Neoliberalism is actually the ideological counterpart of the monopoly-finance capital, and the emergence of neoliberalism as the hegemonic economic ideology reflects the new imperatives of capital brought in by financial globalization.

Financialisation of capital and neo-liberalism is on the whole anti-labour. The International Labour Organization (ILO) noted that financial globalization 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 (i.e., wages) of corporate profits 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: a) in a situation where profit growth rates are falling industrial capitalists attempt to pass their losses on to the working class, either through wage reductions, or through price increases in the goods on the market, b) an increasing focus on the use of labour saving technologies to create a downward pressure on wages by intensifying the competition among labour for jobs;, and c) states 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 deteriorated the labour share of income. One of the important factors behind this is the 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 a labour demand or labour productivity shock occurs. It is also well documented that the currency depreciations and economic recessions have 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 the labour. (Ioannou 2012)

Financialisation not only affects the present circumstances of workers but also their future. For example, in many countries, governments are financializing 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 also gets 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 linkages with these factors, considers them as non-market and non-value aspects and therefore never show any interest in protecting them.

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

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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 for 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 maximization and hence many times it demands protectionism, rigidity, and a narrowing down or elimination of options. The money/finance capital has more general perspective on markets, a more universal class outlook and is always interested in opening and deregulating of 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 level of flexibility and freedom of movement for money. (Rowe 2005)

In this regard, we generally observe that until the first half of the twentieth century the capital accumulation process continued to be focused on *productive* capital, wherein the finance capital played a greater role as partners 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 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 Second World War. Particularly in 1970s, we observe a dominant tendency of financialisation of capital accumulation, and underutilization of production capacities due to the saturation of domestic markets and the trend of 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 question for transnational capital.

With capital thus becoming footloose, it required unrestricted freedom of movement to set up shop wherever it desires, 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 both capital and labour mobility. There were very weak restrictions on labour mobility also, 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 there really was a globalized world, with weak national borders. However, this was not a globalized 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 of the twentieth century, from the First World War up to 1980s, was a phase with capitalisms in separate 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 came into classic forms of territorial states exercising strict controls on their national economies and making a distinction between welfare of its citizens and the welfare of others.
3. The latest phase can be said to have started from the 1990s when we returned back to a new phase of the globalized world, not in a circular motion but in a spiral motion and therefore reaching exceptionally at a higher level, with a globalised world of sovereign states rather than empires, and revolutionary developments in aviation and information technology that have really transformed the whole globe in to a single integrated economy for all practical purposes. One major difference between the 19th century globalization and the current phase of globalization is that the earlier phase allowed a combination of capital and labour mobility, while in the new phase the capital is freely mobile 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 in settling the conflicts of various politico-economic interests and the institutionalizing of globalization via the supranational entities such as the WTO. We can understand the contradictions of the current globalized world by looking at these conflicting interests and the way these contradictions were settled through suppression and accommodation.

In the 1970s, developing countries, organized in G-77, 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 movement also sought international regulations on TNCs. This struggle surfaced at different platforms of the United Nations. During the same period many developing countries passed legislation controlling TNC activities, and the nationalization of foreign corporations reached a peak in the first half of the 1970s. Strength of this movement was reflected in 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 the 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 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 globalization. The Uruguay round of GATT started in 1986 and led to the creation of the WTO in 1995, a path breaking step in institutionalizing the corporate-led globalization. The aspect of accommodation in this process is reflected in the structure of WTO, which is by no means a democratic organization, but at least on paper, it is more democratic than 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 liberalization 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 globalization and liberalization. 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 globalization gradually changed and how a consensus emerged among almost all dominant parliamentary parties in Asian countries in favour of policies of liberalisation and globalization. The resultant impact was reflected in weakening the labour movements, and it was more severe in countries where the major trade unions were linked with the political parties, for example in India. Moreover, by way of accommodation of NGOs global people's movements against the WTO were also weakened.

The labour and people's movements in developed countries also opposed to the policies of globalization 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. This pressure from the labour and people's movement was one of the important factors behind the collapse of Seattle meeting of the WTO. But finally, the pressure from the huge multinational corporations in these countries proved stronger. Moreover, for states 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 has 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-level 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". It is interesting to note that 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, marginalized or even wiped out, mainly because the low-skills based industries soon disappeared and so also their membership base. For example in the UK through the 1980s, the coal mining and steel industries were more or less abandoned. (Desai 2001)

With these dynamics, transnational capital was able to successfully institutionalize international capital mobility and free trade.

World Trade Organization (WTO) constitutionalizes 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 liberalize their certain financial services. These countries are compelled to liberalize 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 constitutionalize the free movement of capital. Bilateral investment treaties (BITs) and free trade agreements (FTAs) with the major industrialized countries, and 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 case of violation of the terms of the treaties, the countries involved potentially face lawsuits in supranational tribunals. At the regional level the European Union has institutionalized the free movement of capital in the Lisbon Treaty, which not only limits the use 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 institutionalizing 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 constitutionalize the free movement of capital at the global level comes from the International Monetary Fund (IMF). It is interesting to note that before the 1960s, the IMF opposed the international capital mobility and argued that **m**embers may exercise such controls as are 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 liberalization. Particularly 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 its 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 liberalization 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 institutionalization 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 liberalization. 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 that full capital mobility to be advantageous to the world economy as a whole and to countries that receive capital inflows in particular. However, inflow surges can carry considerable risks, andthis does mean that capital controls are the right answer and that the costs of capital controls are assumed to be very high. It is interesting to note that in the same year Nicolas Sarkozy proposed the G-20 to 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 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 constitutionalizes the international capital mobility. However, the opposition from the states of developing countries against limiting the use of capital controls continues. The statement of Brazil's finance minister Guido Mantega in IMFC meeting on April 16, 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 democratize, socialize and politically control the capital. However, most developing country states 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 liberalize the capital accounts gradually. (Dierckx 2012)

Without the institutionalization 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 constitutionalized, the nation states, particularly in developing countries, are increasingly disempowered to legislate and regulate nationally. This is giving 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 more 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 are creating autocratic states, brutally repressing the labour and people's movements and at the same time engendering their radicalization.

Impact of international capital mobility on labour is the most serious and long lasting. In developed countries, the 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 in their world is lost forever and their lives are destroyed. Even if they wish, 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 globalization, 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 as well as many times migrate illegally. The gap between developed and developing country wages is so great that for getting such low paid low grade jobs, many times workers are willing to take such high risks as, for example, tying themselves to the bottom of planes for 3,000 miles (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 the middlemen.

International capital mobility has an overall negative impact on 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 organized 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.” (Foster et al 2011)

On the one hand, corporate-led globalization has implanted the export-oriented development model based on 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 and more export orders and for a greater and greater share of foreign investments. This competition between states is unique in the sense that ultimately it takes a shape wherein they actually compete with each other by waging a war against their own people, their own working class, to offer various incentives and cheaper natural resources to the corporate at the expense of their own people, and to ensure super profits to the corporate at the expense of their own labour. 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 the environmental disasters.

On the other hand, 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 steady decline in labour’s share of revenues and 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 deindustrialization or the threat of deindustrialization. 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 manufacturing of the 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 US also provided strong evidence that TNCs frequently use such threats during disputes with unions. (Foster et al 2011)

The de-industrialization trend is expanding the reserve army of labour in developed countries also, 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 at higher collective bargaining level. It reminds us again of the importance of and the need for a foundation of international labour solidarity.

Here, it is interesting to note that in a situation with capital being freely mobile and the mobility of labour being restricted and controlled, for capital there are no national boundaries of the labour market, 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 it requires. 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 the destinations where wages and working conditions are at higher level. 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 of various countries. In this situation, the majority of workers in the world are virtually converted to the reserve army of labour for international capital, such that 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. The free mobility of capital has expanded this global labour market (for capital) many folds with integration of erstwhile socialist countries into the capitalist world economy. The integration of China alone into the capitalist world economy drastically increased the number of workers competing with each other for jobs worldwide. On the other hand, accumulation by dispossession in various ways resulted in mass destruction of livelihoods and displacement of population swelling the ranks of the reserve army of labour in almost all developing countries. On the whole, the global reserve army of labor has grown many fold 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 transnational corporations to divide and rule and exploit the vulnerabilities of workers; and also impose most exploitative terms and conditions on subcontractors (developing country capitals), who in turn compensate themselves by using the most brutal forms of exploitation of labour.

The threat to move production abroad elsewhere (where wages are cheaper and working conditions are worse) has emerged as a most effective weapon (provided by free mobility of capital) in the hands of transnational corporations against labour, in situations where this huge global reserve army of labour is competing for jobs. It is frequently used in Asian countries to crush the labour movements. In recent decades, there were several big strikes in India, particularly in automobile industries, and in most of the cases this threat was used to weaken the unity of labour and to force the state to suppress the organization of 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 vulnerabilities of labour all over the globe, flying away from the places where workers and the people at large are acquiring better bargaining power to the places where labour and the people at large are most vulnerable and virtually without collective bargaining power. This also reflects the present character of the transnational capital, which accepts no obligations or responsibilities to the nations and the people.

In the new international division of labour 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 informalization of workforce and flexibilization 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 them. Moreover, with the emergence of huge monopolistic corporations controlling the major sections of markets and with overall stagnation in growth, capital has now established a system of flexibilized production with greater scope for product differentiation, and strictly controlling the output as per the existing or generated needs of the markets. It is the requirement of this system of flexibilized production to have a system of flexibilized labour relations, i.e. the labour can be hired and fired as and when required. This system provides an opportunity to save huge labour costs and most importantly to exploit the vulnerabilities of the labour. Greater the reserve army of labour, greater is the scope for capital to exploit the vulnerabilities of labour. Exploiting informal sector is also inbuilt in this strategy. The global value chains and global supply chains now reach into the informal sector or home-based workers. The exploitation of low wage informal sector workers contributes significant value added to the products and fattens profit margins.

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GLOBAL SUPPLY CHAINS

Corporate-led globalization opened immense opportunities for transnational capital for the accumulation of surplus values generated in developing countries by forcing a new international division of labour and all-round privatization and liberalization of the economies. And with this, the concepts of Global Production Chains, Global Value Chains and Global Supply Chains emerged as new strategies for profit maximization.

The **Global Supply Chains** (GSC) of industries or companies are systems of resources, organizations, 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 (component or other input manufacturers, assembly plants or final product manufacturers), warehouses, distribution centres and retailers, through which raw materials are acquired, transformed in to the final product and delivered to the consumers. The supply chains of industries and companies have always existed in some form, but they usually were restricted to some extent by national boundaries and many times in particular regions of countries. The change that took place in the current phase of globalization is that now the these supply chains are dispersed all over the globe. The relationship between the various links of these 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 manufacturing of final products and services. Therefore, the value chain is basically an analytical tool for studying the degree of value addition done by various activities involved in bringing out the final product and therefore also the degree of value addition done at different geographical locations where value adding activities take place. Classically, no real value addition takes place 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. It reflects on 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, for example, the technology and design, the brands and the customer network. Therefore, they are able to exercise an 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 maximize their profits and accumulate huge surpluses, 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 these economies.

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 elite in both developed and developing countries benefitted at the cost of the worker and his or her community at large. It also exposes how the 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 man and woman into vicious circles of intensive exploitation in developing countries and redundancy in developed countries.

This is the dominant trend in the current phase of globalization 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, i.e., the global supply and value chain. This process has already culminated in some sectors. One such example is garment sector. Now the most of the big brands of international apparel industry do not own or operate factories of their own and they are thus rightly referred to as a hollow corporation. Rather, they sit in their corporate offices in the U.S., Europe, Japan, South Korea or Taiwan and send orders and designs for production of required amounts of apparels to the hundreds of factories operating in low-wage countries, such as Thailand, Indonesia, China, Philippines, Bangladesh, Cambodia, India, Mexico and throughout Eastern Europe. Without taking on any of the headaches involved in running factories, they get the required supplies of their brand-name products in rapid time. It is also interesting to note that in this outsourcing arrangement, the multinational brands are able to reap stellar profits by exploiting cheap labour in these developing countries 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. Similar is the trend in automobiles except that in this case the famous brands they have their own assembling plants, located in developing countries where their suppliers are located.

Globalisation has actually converted these less developed countries into havens of pollution for dirty industries. The share of dirty industries in total FDI in India was as high as 51 percent in 1991-2000. Classified as 'Red' industries, or the most polluting, were the energy sector which accounted for 27.4 percent of these, chemicals 4.5 percent, transport 7.5 percent, metallurgy 5.5 percent and food processing 3.5 percent in food processing. Ranking second were 'orange' industries which included hotels and tourism having 1.7 percent and textiles 1.2 percent. The largest fundsapproved forforeign investment was in the dirty industries, chiefly chemicals. Many goods produced by the public sector were de-licensed and private and foreign firms were allowed in these sectors including polluting industries such as mining, power generation, and chemicals. The impact of this on the environment is already visible. The impact of Hindustan Lever's mercury thermometer factory on the Kodaikanal environment is one disturbing example. Mercury poisoning rose almost 250 times beyong the permissible limits and adversely affected the environment of the region. It is also to be noted that the Hindustan Lever opened this factory in India after closing down its unit in U.S., and therefore the environmental cost of the mercury thermometer production was actually transferred from U.S. to India. India's 75,000 km--long coastline has already been converted into a destination for the waste disposal of the entire world. The amount of lead ash, battery scarp, zinc ash, and waste oil as well as old ships laden with asbestos are increasingly dumped on our shores. India is importing over 70,000 MT of zink waste and 50,000 MT lead waste through its 7 major and 100 minor ports. A huge amount of plastics and metal waste are coming into India from Australia, Canada, the UK and the U.S. apparently for recycling. Indian company Futura industries of Tamilnadu has imported 10,000 MT of plastic waste since 1992. Indian coasts are now emerging as the world's largest ship breaking yards. This is only the tip of the iceberg and shows only the trend. The complete picture is truly frightening. The pollution content ratio of India's trade increased from 0.480 in 1985 to 1.38 in 2000. MNCs in India are frequently violating the environmental standards. Excessive use of ground water and the polluting of water bodies by the MNCs, both Indian and foreign, are putting heavy pressure on already depleted water resources and severe water crises are emerging in different regions of the country. The case of the Coca-Cola plant in Mahdiganj in Varanasi, can be cited as an example. It drew thousands of litres of underground water through its two tube wells every day, and the impact was a fall in the water level of 15 to 40 feet. Moreover, waste discharged by this plant into surrounding fields has polluted the ground water making it unfit for human consumption. On the other hand, the Coca-Cola as its Corporate Social Resonsibility (CSR) initiative distributed its solid waste of bottling plants to farmers in Kerala to use it as manure. A BBC news report revealed that this waste contained extremely high levels of heavy metals, such as lead and cadmium. Moreover, in the name of accelerating industrial growth, huge amounts of land including agricultural land, water bodies, forests, wet lands and other environmentally sensitive areas are being acquired and transferred to the corporate. (Birundha 2008)

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 transnational corporations and mostly based in developed countries, while low value added, labour intensive operations are transferred to developing countries. Therefore, on the one hand, this international division of labour on the whole facilitates wealth transfer from developing to developed countries. For example, In India, the gross value added in the electronics manufacturing has been only between 5 to 10 percent. It means that out of a demand of about US$45 billion in 2008-09, only between US$ 1-2 billion was value added in the country and the remainder was the cost of imported components. It is also to be noted that in value terms, the sector's imports are second only to the country's oil imports. If this situation continues, by 2020, electronics imports may exceed oil imports. (GOI 2012)

On the other hand, the new international division of labour in various ways empowers the transnational corporations to exercise very effective control of the whole supply chain. One of the most important empowering factors for them is their monopolistic control on R&D capital intensive high tech R&D operations in almost all industries. Various investment strategies are other weapons for exercising control of outsourcing factories. By way of these controls the transnational corporations are able to put a consistent pressure on the units in supply chain to reduce the costs; and are also able to transfer all non-value added costs to these units. Subcontractors generally work for several TNCs simultaneously, but this diversification of orders 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 also results in wealth transfer from developing to developed countries.

In the above background, the global supply chains, that are emerging, can be mainly classified in two categories. Actually these two categories reflect the two stages of development of global supply chains.

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 have to function as lead firms and handle the final operations to produce the final products, but almost all input goods are manufactured and supplied by globally distributed network of suppliers. Suppliers are so linked with the lead firms it is as if they are an extension of the lead firms, supplying input goods in a timely and maintaining the quality. Therefore this arrangement, along with providing opportunities to exploit cheap labour in developing countries, benefits the TNCs in other ways. For example, cost of infrastructure and management of human resources for producing the inputs, the cost of rejections of inputs, and the cost of maintaining an inventory of inputs is removed and transferred to the suppliers. This type of supply chain is the characteristic feature of capital and technology intensive industries, such as 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 are 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 personal computer global value chain, but a specific 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)

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 investments came in many developing countries, particularly in the emerging markets; and it also accelerated the so-called economic growth rate in these countries. However, 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., investments to create new firms/industries. In the current phase of globalization, brown field investments in almost all the developing countries on the whole created more unemployment rather than generating new jobs, because of the drive to downsize combined with multi-tasking and the flexibilization of labour. Since 1990s, the total brown field investments in developing countries amounted to half of the total global FDI. (Pandita and Panimbang 2013)

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 decentralized 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 job works 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 an effective control on suppliers, the TNCs are able to put consistent pressure on them to lower the costs, while compelling them to bear all operational costs and risks. The buyer-driven supply chains are characteristic feature of labor-intensive industries, for example, apparel, footwear, agro-industry and consumer electronics. As it is clear, in buyer-driven supply chains, no direct investment is done by the TNCs in developing country industries. It becomes a simple case of accumulation of 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 is highly precarious in nature.

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. But this job is not permanent. Therefore these managers are highly obedient out of fear of losing the job, because transnational capital may fly away any time to more profitable destinations.

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. The share of the parental companies in US in value added in 2008 had fallen by about 10 percentage points over the two preceding decades. In overall terms, at least 40 percent of world trade is linked to outsourcing. In some cases like Nike, whole 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 transnational corporations from developing countries can be seen in the fact that in the late 1990s entire labor 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)

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

The motive behind expanding global supply chains is to earn super profits by exploiting cheaper labour in developing countries and transferring or minimizing all operational, particularly the non-value added costs to the subcontracting companies/countries, which in turn transfer these costs to labour. Therefore, most disastrous impact of the global supply chains is faced by labour.

It is interesting to note that the control on supply chains is creating such powers in the hands of TNCs that sometimes they appear to be going mad in using 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, 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 forms of labour coercion all over Asia in garment, electronics and auto component companies producing for transnational corporations. Through their control over global supply chains, TNCs are able to use the strategy of divide and rule, that is, by intensifying completion among subcontractors to offer lower costs. This ultimately results in dehumanizing the subcontractors in developing countries. To offer competitive terms to corporate while ensuring competitive profits for themselves, they use the most brutal forms of exploitation, ignoring and flaunting all forms of regulations. By naming Apple's subcontractor Foxconn Technology as 'Run to Your Death' Company (Foster et al 2011), Chinese workers spelled out the ultimate price that these TNC strategies cost.

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Chapter 2

Integration of Asia in Global Value Chains

Due to rising organic composition of capital with falling rate of profits and increasing domestic real wages, transnational corporations in the west, particularly those in United States in 1960s started linking more open economies of east Asia, initially Japan and later the 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 United States and consumer electronics produced for branded lead firms such as RCA and Philips. But with the rising domestic wages, the Japanese companies increasingly shifted labour intensive production operations to Hong Kong, Taiwan and South Korea and took the shape of intermediaries in a comparatively complex triangle manufacturing arrangement. It led to two interrelated developments. On the one hand, the Japanese companies moved up the values chain, and on the other hand, very soon the factories in these East Asian countries started directly supplying to the west rather than through Japan. But as the Japanese companies moved up the value chain, these East Asian factories continued to serve low cost labour intensive production operations for Japanese companies along with the companies in United States. Similarly, linking of South East Asia with global supply chain started with two United States companies, National Semiconductors and Texas Instruments setting up plants in Singapore to assemble semiconductor devices. By the late 1970s and 1980s, with the same reasons of rising wages at home, and also due appreciation of their currencies, the firms in South Korea, Hong Kong, Taiwan and Singapore increasingly started outsourcing of production to low cost locations in east and south east Asia, for example, Malaysia, Philippines, Thailand, Indonesia, Vietnam etc. (Sturgeon and Kawakami 2010 and Anukoonwattaka 2011)

However, in general up to mid 1980s, this vertical specialization form of trade (i.e., export material for processing overseas and to re-import 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 a surge of outsourcing from US to Latin America countries (Anukoonwattaka 2011) that were among the first liberalized developing economies. The real integration of Asia in global value chains started only in late 1980s and early 1990s when most of the Asian developing economies were liberalized.

Exploring the drivers of relocation of production operations to developing countries we may cite, for example, the organizational and functional restructuring of the transnational companies in electronics, automobile and apparel industries in late 1980s and early 1990s. Initially the transnational companies in US and then that of 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)

Following were the main drivers of the above industrial restructuring:

1. R&D, political lobbying, projecting brand image (its reliability, acceptability & domination), generating real and artificial demands for its products, developing monopoly in resources and markets and playing games in the share markets etc were emerging as the main activities

for capturing higher share of emerging world markets and increasing the rate of profits; and therefore TNCs considered investment in internal manufacturing operations as drain of resources

2. Continuous product diversification emerged as the key to capture greater share of the markets 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 equipments made the 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 the outsourcing more attractive. By using contract manufacturers/suppliers brand-name firms gained the ability to ramp the volume of their production upward or downward on short notice, without the need to install or idle in-house plant and equipments
3. To exploit the benefits of new international division of labour and international capital mobility, and to reduce the complexities and coordination costs of globally expanding value chains, the transnational companies needed fewer and 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 assemble 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 now speeded up tremendously with an opportunity, appearing probably for the first time in the history, for TNCs to expand their supply chains all over the globe in a big way. With increasing scale of outsourcing the complexity of managing a multiplicity of relationships with suppliers based in multiple locations also increased. In order to of streamline the management of their outsourcing relationships, brand owners increasingly demanded their key contract manufacturers to have a global footprint.

This process soon culminated in emergence of big transnational contract manufacturers/suppliers. The brand owner 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. It is interesting to note that the top transnational contract manufacturers are also mainly based in the developed countries. For example, all the top five contract manufacturers in electronics including Solectron, Flextronics International, Sanmina/SCI, Celestica and Jabil Circuit, are based in North America.

Thereafter, the contract manufacturers and transnational suppliers mainly based in North America, Europe, Japan and newly industrialized Asian countries, started aggressively internationalizing their operations since the mid1990s. In this process a class of huge transnational contract manufacturers emerged with effective global presence. For example, Solectron with a single campus in Silicon Valley until 1991, within ten years, established nearly 50 facilities worldwide. 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, competitors and firms in developing countries as well as by establishing new facilities. Large scale acquisitions were done. For example, 67% of cumulative revenues of top five largest electronics contract manufacturers for the year 2002 came from acquisitions in previous three years. (Sturgeon and Kawakami 2010)

As we have already discussed, the enterprises in the four newly industrialized Asian countries Taiwan, Hong Kong and Singapore, moved up the value chain and started outsourcing productions to other south east and east Asian countries like China, Vietnam, Indonesia, Thailand, Malaysia, Philippines etc. With active support from the sate the firms in Korea, Taiwan and Singapore gradually acquired new technological capabilities and began to supply more technology-intensive products. In the new phase, with 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 by all means to develop their own brands and emerge as competitive lead firms (OBMs). Korean firms followed Japan's footsteps, and as early as 1980s Korean chaebol (business family) emerged as large, diversified enterprise groups with vertically integrated structures for product development, manufacturing, and marketing. The active support from the state and emphasis on R&D were crucial factors behind this success. This led to successful emergence of Korean brands like Samsung, LG, and Hyundai Motors etc. 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 with active support from the state and emphasis on 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 their efforts for emerging as OBMs and return back to remain as 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 and aggressively expanded into mainland China and beyond. This process led to the emergence of multinational Taiwanese contract manufacturing firms like TSMC, Quanta, and Hon Hai (Foxconn) etc. The main reasons behind 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 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 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 also 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 on ODM (Original Design Manufacturers) contract manufacturing model.

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

1. Transnational OBMs (Own Brand manufacturers): Transnational brand owner Companies with major share of world markets
2. Transnational CMs (Contract Manufacturers): Contract manufacturing allows TNC brands in some industries to run their business without any of their own physically existing factories, or with having only the main assembling units for assembling the fully integrated modules to make final products

a) Transnational ODMs (Original Design Manufacturing): A manufacturer is capable of undertaking product design, development and manufacturing but is not directly engaged in marketing and brand promotion. ODM and a buyer both discuss the product specifications, or the ODM recommends it and receives approval and an order from buyer. They generally source the fully developed modules from OEMs and assembly and deliver the final product to the buyer. In some cases like in garments ODMs outsource complete manufacturing work to local companies and manage the timely delivery of quality products to buyers. Their capabilities position them to launch their own brands but such moves risk their business with OBMs.

b) Transnational OEMs (Original Equipment Manufacturing): A manufacturer carries out production and assembly operations in accordance with the product specifications and the manufacturing rules specified by a buyer and delivers finished products. 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 by way of low value adding and highly labour intensive operations
5. Tier III Local Suppliers: Small local factories, informal sector units or home based units, performing some specific very low value adding and highly labour intensive operations

It is to be kept in mind that Global value chains are slightly different for different industries 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. Large number of transnational contract manufacturers/ ODMs and tier I suppliers are also from developed countries, but as we discussed that by virtue of early entry in the global value chain and early export links with north, the firms in newly industrialized countries, Korea, Taiwan, Hong Kong and Singapore, moved up the value chain, and particularly with the advent of liberalization and flooding of outsourcing from developed countries, OEMs in these countries soon developed the capabilities to emerge as ODMs. Particularly Taiwan specialized in ODM model. Therefore, significant number of ODMs emerged in these four countries also, and expanded their presence particularly in Asia. Phenomenal emergence of China as new global production hub and the technological advances that it achieved with a determined focus, added to a new dynamics and soon some globally competitive brands also emerged in China, for example, Haier, Lenovo etc. The emergence of India as a fast growing economy also led the emergence of few globally competitive brands especially in automobiles for example, Tata Motors and Mahendra.

In the general picture, firms of developing Asian countries are typically located only in low value adding industrial operations. It has become highly difficult for new entrants in the value chains to upgrade and move up the value chains. Hurdles for new entrant are on the one hand inbuilt in the global value chain system itself and on the other hand, it is also consciously created by TNCs. GVCs of TNCs demand a global presence in order to entry at the level of ODMs, OEMs, and tier I suppliers. Moreover, it also requires advanced capabilities of innovations and designs that demands huge investments in R&D. In general, the 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 that are also generally the foreign TNCs, and not with the 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. Such large firms are very few if any in developing countries. In India and China, that 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.

Expansion of global value chains of various industries in various regions/countries depended on following factors:

a) Competitive cost advantage in factors of production, i.e., lower cost of labour, raw materials, infrastructure and also the administrative costs
b) Larger home markets or larger integrated regional markets for the industrial goods, that realize the economies of scale, and therefore also make unit cost of products cheaper
c) Already existing base of manufacturing able to provide at least tier-II and tier-III suppliers, significant number of enterprises with relevant competence in technology that may be directly used or acquired to develop in to competent tier-I suppliers, and sufficient supply of skilled labour force. Site selection decision by TNCs is strongly influenced by presence of other key market players in particular industries in the region or a country.
d) Lower costs of international trade, including the cost of tariff and non tariff barriers, transportation, communication, exchange rate, legal, regulatory and enforcement, and local distribution costs. Trade in global value chains involves multiple cross-borders trading of a good-in-process during 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 final product. An 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 liberalization is also equally important in the same way

It is in this light we can understand why, even if the labour costs were equally lower in south Asian countries and East and south east Asian countries, the integration of south Asia in global value chains was delayed and slow, while east and south east Asian countries were fast integrated in global value chains and china emerged as one of the most important production hubs of the global production network. Presence of preexisting supplier base in electronics industry in some east and south east Asian countries, presence of OEM and ODM competence in newly industrialized countries in east and south east Asia (South Korea, Taiwan, Hong Kong and Singapore), determined moves by almost all east and south east countries to liberalize and integrate their economies in global value chains, emergence of ASEAN, determined and aggressive moves by Chinese state for economic reforms combined with rapid industrialization, infrastructure development and focused R&D, and continuously growing Chinese market were factors other than abundant supply of cheap labour that helped early integration of east (China, Hong Kong, Taiwan, South Korea & Japan) and south east Asia (particularly Indonesia, Malaysia, Philippines, Thailand, Singapore and Viet Nam) in global value chain and china's emergence as a global production hub.

South Asia's delayed integration in global value chain in overall terms and particularly in electronics global value chain was mainly due to its delayed industrialization in overall terms and in electronics industry in particular. As we know that electronics industry is one of the fastest growing industries in the world after globalization and it also a key role in various other industries in terms of providing key inputs. However, the industrial sectors wherein only the low cost of labour plays the key role, south Asia is gradually picking up, for example, phenomenal growth of garment industry in Bangladesh, India, Sri Lanka and Pakistan. Also, even if Cambodia is almost absent in global value chains of electronics and automobiles, it has acquired a significant place in garments.

Moreover, particularly by virtue of its large and growing market, availability of sufficient skilled labour force, presence of low but expanding base of manufacturing, presence of few enterprises with sufficient capabilities, and presence of few comparatively big local companies with long presence in automobile and engineering sectors, India is emerging as one of the centers of automobile manufacturing in the region. Also, with sufficient supply of skilled labour force, it has acquired a significant place in IT services. Based on the size of employment, operations of Japanese MNCs in India are concentrated in the transport equipment sector, and operations of United States MNCs are concentrated in professional services including IT, scientific and technical services (Anukoonwattaka and Mikic 2011). The electronics sector in India has also started emerging, but on the one hand, it still contributes a negligible share in total electronics production and on the other hand, it has still not been able to develop any such regional supply chain networks, as has emerged in east and south east Asia.

India's gradual integration is reflected in increasing share of components in manufacturing exports (from 3 per cent in 1992/03 to 10 per cent in 2006/07). However, its delayed and slow integration is reflected in the fact that in overall picture, traditional form of international trade still dominates. Final goods accounted for about 90 per cent of manufacturing exports and nearly 80 per cent of manufacturing imports in 2006/07. (Anukoonwattaka and Mikic 2011)

Lack of regional integration of south Asian economies is another negative factor. It is interesting to note that India's regional trade and sourcing from region is continuously increasing, but it is more with east and south east Asian countries. Since 1995, ASEAN countries accounted for about 10 per cent of India' manufacturing imports, and the share of imports from China, Japan and Republic of Korea more than doubled in the same period from 16 per cent to 34 per cent. India's intra-regional trade in south Asia still remains negligible.

The most important factor that contributed to faster growth and early integration of east and south east Asia in global value chains and emergence of China as Asian production hub is political. It is well studied that the development of capitalism is fastest in dictatorial regimes where the state is most powerful and able to crush any opposition against the drives of capital accumulation more effectively. If we look at the east and south east Asia, political system based on one party system or relatively dictatorial regimes dominated the scene in the relevant period. Four newly industrialized countries South Korea, Hong Kong, Taiwan and Singapore, with some or the other type of dictatorial regimes, were by and large, already politico-economically allied and integrated with the west. In China and Vietnam, single party political system and single trade union system, along with a large market and large skilled and disciplined labour force, a base of manufacturing industries provided unparallel competitive advantage. In Philippines and Indonesia also the political system at the relevant period was more dictatorial, and the political regimes were by and large allied with the west. Thailand was by and large still not out of monarchy system and it was also more or less politico-economically allied with west.

In recent decades we observe that some Asian developing countries, particularly those with huge home markets, are gradually able to move up the value chain. Malaysia is already positioned at comparatively higher level of value chain with base of high technology, knowledge based and capital intensive industries and emerged as a major exporter of electrical and electronic products, machinery and transport equipments. Even if its electronics industry recorded a decline after emergence of China as hub of manufacturing, it still remains a major player in ICT (Information and Communication Technology). The China and India are the other two countries that are gradually moving up the value chain, but this in no way an overall transformation, rather, this is in the form of some firms moving up the value chain, while the country as whole remaining at the low end of the value chain.

Electronics Global Value Chain

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

In the late 1980s and early 1990s most of the North American electronics firms in the computer and networking sectors like Apple, IBM, Nortel, 3Com, Hewlett Packard, Maxtor and Lucent sold much of their domestic and offshore production facilities to largest contract manufacturers and rapidly moved toward outsourcing their circuit-board and product-level assembly. New companies such as Sun Microsystems, Silicon Graphics, EMC, Juniper Networks, Sycamore Networks, Cisco Systems, and Network Appliance from the outset outsourced most of their production. In late 1990s, most of the major European electronics firms like Ericsson, Philips, Siemens, Nokia, and Alcatel, and soon after the Japanese electronics firms like NEC, Fujitsu and Sony also followed the same path. 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 US or Canada. (Sturgeon 2002)

With increasing shift of production operations to developing countries, the global brands in electronics also demanded with contract manufacturers to 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 global brands. For example, now Flextronics has 62 plants worldwide, Solectron has factories in 70 countries, and Sanmina/SCI has 100 factories around the world. This expansion gave rise to dramatically rapid growth of the contract manufacturing industry (Ernst 2004). With the boom in outsourcing of electronics manufacturing in east and south east Asia and particularly the China, the electronics firms in newly industrialized countries of Taiwan, South Korea and Singapore fast moved up the value chain at the level of OEMs and ODMs. As we discussed in earlier chapter that Taiwan firms were virtually compelled to remain at the level of contract manufacturers and they specialized in that position and enhanced their technological capabilities to move up from the level of OEMs to the level of ODMs. The worlds all the top ODMs are now from Taiwan. On the other hand, many Korean firms were able to move at the top level of value chain and emerged as powerful global brands (OBMs) like Samsung and LG. Singapore firms remained and specialized at the OEM levels.

These OEM, ODM and OBM firms from newly industrialized Asian countries also expanded globally, particularly in all the Asian centers where electronics manufacturing is located. The rate of global expansion and growth of revenue of the top contract manufacturers was tremendous. The revenue of all the world's top five electronics contract manufacturers grew at an annual rate of 45 percent per year from 1995-2002, and 67 percent of the revenue in 2002 was generated from acquisition 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 with country/region of origin and their revenues in 2009. It is interesting to note that now among the world's top five contract manufacturers by revenue, four are from Taiwan. It reflects on the emergence of China as world's electronics factory and the dominant role played by Taiwanese contract manufacturers in China.

Table 1: Top five contract manufacturers with their specialization, country of origin, and their revenues

Top Contract Manufacturers		Primary Service	Revenues USD million in 2009
Foxconn/Hon Hai	Taiwan	EMS/OEM	44065
Flextronics	US&Singapore	EMS/OEM	30949
Quanta Computer	Taiwan	ODM	23265
Compal Electronics	Taiwan	ODM	19424
Wistron	Taiwan	ODM	16226
Inventec	Taiwan	ODM	12349
Jabil Circuits	US	EMS/OEM	11685
Celestia	Canada	EMS/OEM	6092
Sanmina/SCI	US	EMS/OEM	5177
Venture	Singapore	EMS/OEM	2428
Elcoteq	Luxembourg	EMS/OEM	2090
Benchmark Electronics	US	EMS/OEM	2089
SIIX	Japan	EMS/OEM	1360
Beyonics	Singapore	EMS/OEM	1120
Zollner Elektroniks	Germany	EMS/OEM	970

Source: Sturgeon and Kawakami 2010.

Note: EMS/OEMs: Contract manufacturers responsible for component purchasing, circuit board assembly, final assembly, and testing; ODMs: Contract manufacturers responsible for the role of OEMs plus **product design services**

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 the world's most important manufacturing sector, and with the global value chains emerging as the most dominant form of electronics manufacturing, the level trade in electronics, particularly electronics intermediates, reflects on the level of manufacturing growth in particular countries. Intermediate electronics and automotive goods clearly dominate total world trade in the top-50 manufactured intermediate products (a combined 64.7 percent in 2006). From 1998 to 2006 the share of electronics intermediates (including semiconductors, printed circuit boards etc) increased from 24.4 percent to 43.3 percent of the world trade in 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). Growth rate of 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 share of various countries in imports and exports of electronics good given in **table 2 & 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	2.1	131.3
Thailand	15,756	1.7	438.6
Mexico	13,115	1.4	3,594.1

Source: Sturgeon and Kawakami 2010

Table 3: Top-15 Intermediate-Goods Importers in the Electronics Industry, 2006

Electronics intermediate importers	US$, millions	Percentage of total	Percentag change 1988–200
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	35,899	3.6	405.6
Mexico	35,705	3.6	3,048.9
Korea, Rep. of	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

It is interesting to note that in both, the intermediate goods export and intermediate goods imports, the same countries have got prominance, and the greater China (China, Hong Kong and Taiwan) accounts for as high as 33.1 percent of world imports and 29.4 percent of world exports of intermediate electronics goods. It reflects on the following characteristic features of the electronics industry:

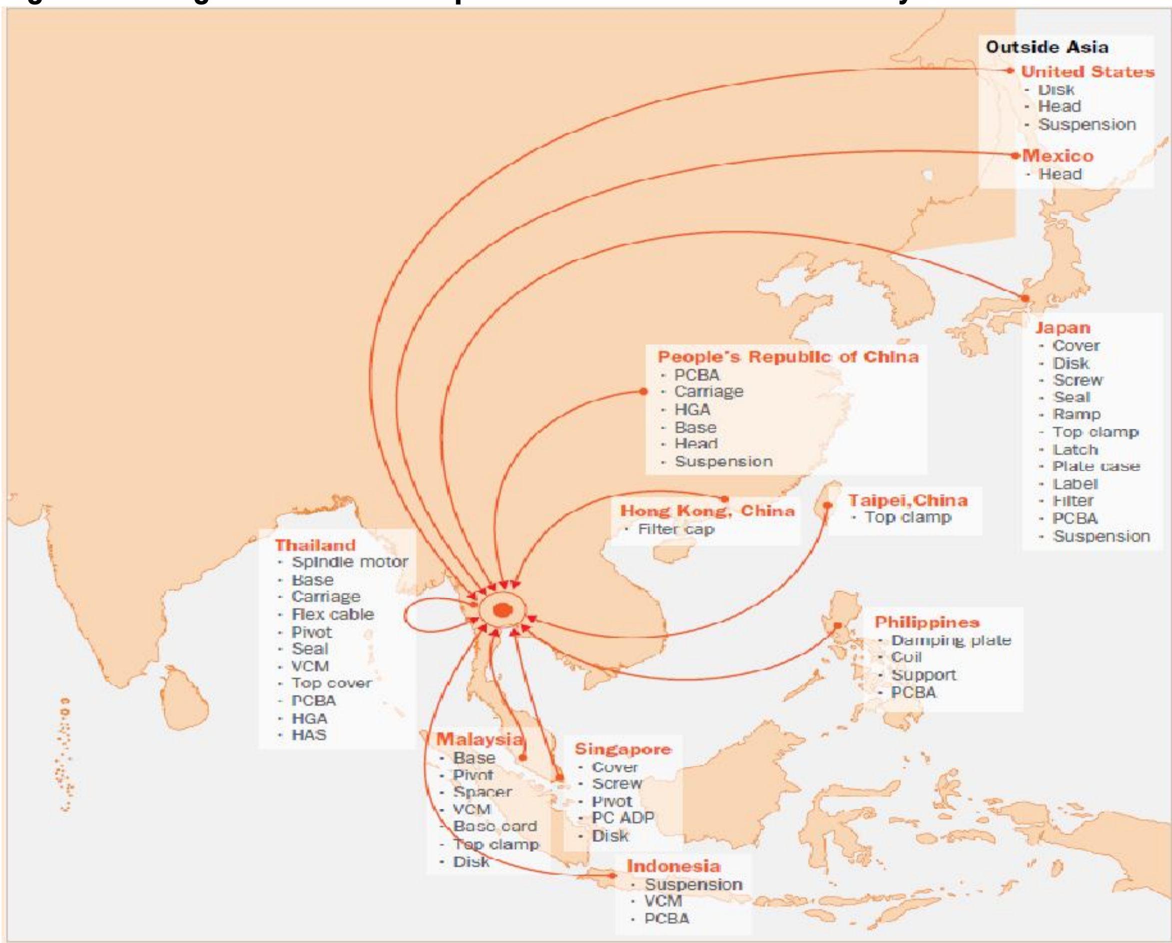
1) In the global value chain of electronics, manufacturing operations located in various countries are interlinked, in all the locations crucial inputs components are imported to produce required intermediate products and that are in turn exported to other locations as inputs.
2) World electronics manufacturing is highly concentrated in China with Taiwanese firms playing major role in comparatively high value adding activities. Hong Kong perhaps gets prominence because most of imports and exports from China is routed through it
3) Major high value added components are still produced in hitch facilities of lead firms based in US, Europe and Japan, and exported to east and south east countries particularly China
4) Major players in electronics manufacturing in developing countries of east and south east Asia (other than Japan and newly industrialized countries) are only China, Malaysia, Thailand and Philippines. Recently, Indonesia and particularly Vietnam has also got prominence in global electronics value chain.

South Asia is still not well integrated in the global electronics value chains, except India. Currently India has a very limited presence in electronics, but the state is aggressively promoting this industry (along with automobiles) to capture a significant share in manufacturing and exports. Currently, the India's output in electronics hardware industry is only about US$20 billion (2008-09) which is about 1.31 per cent of global output. The electronics industry's share of India's GDP is only about two per cent. However, India has emerged 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 gets prominence as the world's largest producer and exporter, and also one of the largest consumers of electronics. For example, currently it is not only the largest producer and exporter of mobile phone handsets, but also the largest consumer. The growth is amazing. From 1998, when its share in world mobile handset production was just 2 percent, its share reached to more than 37 percent in 2005. During the same period on the one hand, the share of handsets produced for export increased from 55 percent to more than 75 percent, and on the other hand, 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 very clearly linked as a positive factor in accelerating the growth of electronics manufacturing in east and south east Asia in general, due to the very nature of current system of global value chains, wherein profit maximization takes place by increasingly shifting the labour intensive operations to various locations to reap the benefits of various cost advantages and capabilities and in the meantime not allowing any increase in the bargaining power of labour or enterprises in the value chain of any such locations. For Example, we can see the geographical structure of the value chain of a disk-drive manufacturing firm based in Thailand in **fig. 1** below.

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.

Electronics global value chain is increasingly becoming a buyer driven value chain but currently the producer driven chain also exists as some brands still do final assembly in their own assembling plants. By and large following structure of the global electronics value chain emerges in Asia:

1. OBMs (Own Brand Manufacturers)/Lead Firms: The most important lead firms are based in developed countries, mainly in United States, Western Europe, and Japan. Among newly industrialized countries only Korea stands out as a base of important lead firms especially Samsung and LG. A handful of some other lead firms have emerged particularly in Taiwan and China, for example, Acer, a PC company 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) used in products of many companies, for example, Intel—supplying the central processing chipsets to PC industry): Mainly the firms from Developed countries With only few exceptions, for example, MediaTek (a "fabless" semiconductor design house) from Taiwan
3. CMs (Contract Manufacturers):
   a) ODMs (Original Design Manufacturers): Mainly only Taiwanese firms were able to move up the value chain from OEMs to ODMs. Worlds all top ODMs are from Taiwan, with their major manufacturing operations in China
   b) OEMs (Original Equipment Manufacturer): Mainly the firms from newly industrilised countries of Taiwan, Singapore, South Korea and China
4. Tier-I suppliers: Locally based in developing countries as well as from developed countries and newly industrialized countries
5. Tier II and lower tier suppliers: Locally based in developing countries

In this way we can see that the developing east and south east Asian countries are typically located in low value adding operations of the global electronics value chains. Even among the first tier contractors, the companies from developed countries or newly industrialized countries dominate, and the local companies are mainly located in the second tier or below. For example, in Philippines, Out of total 715 electronics firms, only 28 percent are local and more than 80 percent of total electronic exports of 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, Korea, Singapore, and Taiwan and hard disk drives are sourced from a Singapore-centered triangle of locations in Southeast Asia. High-precision, design-intensive components for example microprocessors, are sourced from platform leaders like Intel, mainly based in developed countries. (Ernst 2004)

The Malaysia needs a special mention here. Before the rise of China as production hub, the Malyasia was attaining more or less the same position as China is attaining now. The share of electronic and electrical products in gross export of Malaysian manufacturing goods was as high as 72.5 per cent in 2000 (Yunus 2012). This early entry of Malaysia in electronics industry and its linkage with Singapore electronics industry and market helped it in acquiring advance technological capabilities and move up the value chain. It is by virtue of its position at higher level of value chain that even after recording some decline after China's emergence as production hub, it still remains a major player in ICT. For example, Malaysia is in a very strong position in the photovoltaic (PV) industry, and its medical devices industry (MDI) is another globally competitive industry (World Bank 2011). Currently the Malaysia is focusing all its efforts on basic research and brand commercialization to further move up the value chain in order to survive in the new situations.

Similar movement to upper levels of value chain can also be observed in China, many Chinese firms are increasingly moving to middle levels of value chain, some are emerging as globally competitive brands (for example Lenovo), however, in general the country remains placed at lower end of the value chain. In India, this trend is particularly dominant in ICT services rather than in electronics manufacturing. Emergence of Tata Consultancy services as a multinational company, operating in 46 countries and having 199 branches across the world, can be cited as most important example.[1]

It is interesting to note that major share of value in the 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, aTaiwan-based ODM contract manufacturer. The share captured by domestic Chinese companies is very low and probably limited to packaging and local services. In iPad tablet computer Apple's gross margin (the $499 sale price less the component costs) is estimated to be at $270, or 54 percent, and very little of the product's value is captured in China, and even less by mainland Chinese companies. (Sturgeon and Kawakami 2010)

How it happens? The crucial components for assembling iPods are manufactured mostly in United States, Japan, and Korea, and not in China. Most importantly, iPod's high-level design work and software development is conducted in-house by Apple. In this way, major share of revenue is captured by Apple, its technology suppliers and retailers.

It is also interesting to note that in some product sectors platform leaders capture the major share of revenue. For example, in notebook PC value chain, more than 50 percent profit is made by Intel, the platform leader that supplies most of the central processing chipsets to the notebook PC industry. The profit share of lead firms Dell was about 20 percent, and for Taiwan-based contract manufacturer Quanta it was about 5 percent. It can be imagined the how low may be the margins for suppliers based in east and south east countries and manufacturing components for this product. (Sturgeon and Kawakami 2010)

However, higher margin for platform leaders is limited to some product sectors only; in other product sectors the lead firms capture the major share of revenue.

In the above situations, most of the contract manufacturers are also trapped in low value-added segments of the electronics global value chains.

Automobile Global Value Chain

The automotive industry, like electronics industry, is one of the important engines of growth for various other industries including mining, metal, plastics, electronics, construction etc. From the outset, the automobile manufacturing was located close to the markets. Without any exception 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 to the level of making the automobiles as mass commodities, particularly during the period between two world wars, in a limited extent the expansion of automobile industry started in other regions, and some final assembly plants were established in the regions with promising markets to reduce transport costs. Because of trade barriers also the automobile companies were forced to establish assembling plants in a country to participate in its market. Particularly after World War II, when trade barriers were extended to

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

components also, then global automobile brands were forced to integrate the offshore production and source the components locally to the extent possible. With these developments, a regional pattern started emerging in terms that expansion of North American and European automobile brands was more in Latin America, and those of Japanese brands in Asia.

Up to 1980s, a new dynamics emerged. On the one hand, increasing organic composition of capital was creating the serious profitability crisis, and on the other hand, the automobile market mainly concentrated particularly in North America, and Europe came to a certain level of saturation, and an intense competition started among the global automobile brands. This was reflected in growing concern in America and Europe against the flooding of automobile exports in their markets from Japan, in compelling Japan for setting limits to its market share via exports, and in Japanese response of establishing large number automobile plants in US and Europe to locally manufacture a significant share of passenger vehicles they sold in US and Europe. However, it did not resolve the real problem of saturation in markers and falling rate of profits due to rising organic composition of capital, and therefore the competition among the global brands was further intensified. This competition reduced the number of global players with major share in the market, for example, now only four global brands, i.e., Toyota, Volkswagen, Ford, and Hyundai account for the major share of the world market.

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

Some sort of global value chain started emerging with above developments; however in real terms it took shape only after 1990s when most of the developing economies were increasingly liberalized, and global brands in various industries aggressively started expanding their operations in developing countries and soon the Asia emerged as the 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 actually the real picture of this shift is still taking shape, liquidation, plant closures and capacity reduction in many firms in developed countries are yet to complete. (Biesebroeck and Sturgeon 2010)

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

It is also important to note that this historic shift was fuelled on the one hand to increase profitability by producing in low cost locations, and on the other hand to capture the larger share of emerging markets. Japan, the United States, and Western Europe are still the major markets for automobiles, but the average demand is growing less than 1 percent a year. On the other hand, East

Asian automobile markets averaged around 15 percent annual growth rates. 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 would be sold annually in China by 2050 that is 3.5 times the size of the current U.S. market (Sturgeon and Lester 2004).

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
Spain	2,855	2,891	0.25
Canada	2,629	2,602	–0.21
United Kingdom	1,821	1,770	–0.57
United States	12,280	10,611	–2.88
Italy	1,427	1,284	–2.09
Germany	5,145	6,200	3.80
Korea, Rep. of	3,148	4,085	5.35
Mexico	1,805	2,254	4.54
India	892	2,046	18.06
Japan	10,258	11,596	2.48
Turkey	340	1,097	26.40
China	3,251	8,890	22.29
Russian Federation	1,220	1,654	6.28
Brazil	1,793	2,960	10.55
Thailand	540	1,178	16.88

Source: Biesebroeck and Sturgeon 2010

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

In-house component manufacturing was considered as drain of resources and it was actually not possible for brands to manage such large scale in-house operations in component manufacturing across the globe. Therefore all the global brands adopted the strategy to outsource all the component manufacturing to competent suppliers. On the other hand, the brands specialized in high tech R&D, innovation and design to reap higher share of revenue from the value chain and 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. Similar to transnational contract manufacturers that emerged in electronics industry, huge transnational component suppliers with global presence emerged in automobile industry. Similar to 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, world's two largest component suppliers emerged from Ford's and General Motors' former component divisions (Sturgeon & Lester 2004). Major suppliers produce components for multiple automobile brands and some of them are even huger than any one automobile brand, for example, PPG, Bosch, Johnson Controls, Lear, Magna, Siemens Automotive, TRW, Yazaki etc.

There are some structural differences in automobile and electronics industry value chains: a) Value chain of automobile industry is more organised nationally or regionally, due to political pressures the main assembly plants are located in the nations with larger share of markets; and bulky, heavy, and model-specific parts production is concentrated close to final assembly plants to ensure timely delivery and save transport costs; only lighter and more generic parts are produced in other countries/regions to take advantage of scale economies and low labor costs; and b) Due to specific nature of automobile products and manufacturing there is no system of contract manufacturers, the main assembling is still done in the assembling plants of the global brands and so the brands themselves play the role of OEMs/ODMs

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

1. Global Automobile Brands/ OEMs: Doing main assembly operations in their own assembly plants located all over the globe, but actual work in these assembling 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 down tier suppliers. For example, first tier suppliers deliver the assembled vehicle doors with the glass, fabric, interior panels, handles, and mirrors preassembled, and assembled dashboards with polymers, wood, displays, lights, and switches. About 75 percent of vehicle value is accounted by only 15 modules (Sturgeon & Lester 2004). One section of this group is moving up the value chain to specialise in designing modules
3. Tier-II suppliers: Assembling the components by sourcing the parts supplied by down tier suppliers
4. Tier-III suppliers: Manufacturing parts and supplying to component and module assemblers

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

The Asia is now emerging as the major center of global automobile value chain. As we can see in the table 5 below, among the top 10 developing economy exporters of intermediate automobile parts, six are Asian countries, and moreover, aggregate growth rate from 1988 to 2006 clearly shown that Asia has already replaced the Latin America and pushed it to second position. China clearly emerges as world's major center of automobile manufacturing. Among other Asian countries, Thailand, Taiwan, Indonesia, Philippines, and India emerge the most prominent centers of the global automobile value chain. China is also the biggest market in Asia, followed by Korea, Taiwan (China), Malaysia, Indonesia, Thailand, and the Philippines. In south east Asia, the Malaysia is the biggest market, and in South Asia India is the single biggest market. Vietnam is another major production center and emerging market for automobiles.

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

Source: Biesebroeck and Sturgeon 2010

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

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

This strategy demands very high technological capabilities and global presence of suppliers. The investments needed to build such capabilities are beyond the capacities of developing country suppliers. Only in newly industrialized countries, particularly South Korea, Taiwan and Singapore, few tier-I& tier-II suppliers emerged. Therefore, automobile supplier firms of developing Asian countries are typically located 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 5-6 local suppliers were engaged and the local content was only around 2 percent. Even for simple products like 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 very thin. As a general rule, the core design activities remain concentrated in advanced economies, and many parts and materials continue to be imported. (Sturgeon and Lester 2004)

It is interesting to note that even if markets for automobiles is growing in developing countries, they still form only a minor section 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 locations, and the size of markets is the second most important factor. On the other hand, the overall global demand in automobiles is far less than the global production capacities. The current excess capacity is roughly 24 million units, the equivalent of 96 assembly plants, and the capacity utilization 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 in terms of emergence of only few huge transnational monopoly corporations by mergers and acquisitions and removal of other players from business. For example, state interventions and the impact of the crisis, led to consolidation in the component industry wherein now only few but big suppliers remain as players. These trends are visible more or less everywhere. There is also a tendency among auto manufacturers for merging and are developing strategic alliances, and increasingly they are sharing common platforms (i.e., using some common parts manufactured by the same suppliers) and it is anticipated that only six assemblers will account for some 80 percent of total vehicle output in the next decade, and those assemblers producing 4 million units a year will survive (Doner et.al. 2004). These trends are further reducing the scope of moving up the value chain for Asian developing country suppliers. We must keep in mind that the protective measures in most of the countries and regional economic integrations (e.g., ASEAN) favour assembly over parts manufacture, i.e., restrictions on import of vehicles, but not on parts and components. Moreover, there are increasing state interventions to promote the bilateral and multilateral trade in parts and components. For example, under 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 also under ASEAN Free Trade Area (AFTA) 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 since 2004, and producing gearboxes for its assembly plants in different parts of the world, including in Thailand (Nag 2012).

In the above dynamics, some Asian developing countries, particular 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 now it is one of the major players in manufacturing and export of transport equipments. In China and India also, precisely because of huge and continuously growing market, many firms were able to move at middle levels of value chain and some emerged as globally competitive brands, for example, Tata motors and Mahindra & Mahindra in India, and Spice in China.

Apparel Global Value Chain

Apparel industry is generally considered as a stepping stone for developing countries in boosting export led manufacturing growth and integrating in to global value chains. It is one of most labour intensive manufacturing sectors, and currently more than 25 million workers from developing countries are officially employed in the sector (ILO, 2005). In many developing countries, textile and clothing (T&C) together contributes major share of manufacturing employment (up to 75% in Bangladesh and 90% in Cambodia), major share of exports (up to 80% in Cambodia), and significant share of GDP (up to 5% in Sri Lanka, 12% in Cambodia and 15% in Pakistan). While textiles and clothing industries account for only a small percentage of total world manufactured exports, 4.5% in 2006, some regions and countries rely on T&C for a much higher percentage. (Keane & Velde 2008)

Global value chain in textile and apparel industry started building up long back since late 1950s and early 1960s, when the production of textile and apparel was increasingly outsourced from North America and Europe to Japan. Very soon, the drastically increasing low cost imports from Japan displaced a large part of the textile and apparel production from Europe and North America. The second shift occurred during late 1970s and early 1980s, when rising wages at home compelled the Japanese manufacturers to increasingly outsource major part of productions to comparatively low wages destinations of 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 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 production in low wage destinations, mainly in newly liberalized China, and also to more open developing economies of south east Asia like Indonesia, Thailand, Malaysia and Philippines, and also to Sri Lanka, the only country in South Asia that shifted to export led growth model as early as in 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 was signed in 1985. During 1985-87, Japanese yen was revalued by nearly 40 per cent and New Taiwan dollar by 28 per cent, and during 1986-88, Korean won appreciated by 17 per cent. This was also a prime factor in particular period for a shift of productions from these countries to other low cost destinations. In this process again a triangular kind of value chain arrangement emerged with mainly China and other south east Asian countries carrying out the labour intensive manufacturing operations and Hong Kong, Taiwan and South Korea moving up the value chain. As we discussed in earlier sections that more or less the same dynamics appeared in electronics industry also. It was this dynamics along with other related factors of their early integration and politico-economic linkages with developed capitalist economies of North America, Europe and Japan, helped them to emerge as newly industrialized countries. Textile and apparel firms in these countries followed the same path as the electronics firms and soon developed capabilities and specialized as OEMs, i.e., emerged as full-range package suppliers with innovative entrepreneurial capabilities for coordination of complex production, trade and financial networks. During the same period and in almost same process the firms in Singapore also moved up the value chains and emerged as OEMs. This phenomenon is generally described as flying geese strategy. (Gereffi and Memedovic 2003)

There is another factor interlinked with the above dynamics of the expansion of global apparel value chains in Asia.

Mainly, to protect the domestic industries of the North America and the European Union (EU) by limiting imports from highly competitive suppliers such as China, a quota and preferential tariff system was designed in International Trade in Cotton Textiles (ICT) under General Agreement on Tariffs and Trade (GATT) in 1962, which was extended to include other materials under the Multi Fibre Arrangement (MFA) in 1974. As an impact of this, on the one hand, a limit was put on outsourcing to and imports from those countries that were increasingly emerging becoming the most preferred destinations, for example, the Chinese territories, and on the other hand, it helped in further expansion of the apparel value chain to other low cost destinations, i.e., south east Asian (e.g., Indonesia, Thailand, 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 really global shape and the current structure of the global textile and apparel value chain emerged only after phasing out of MFA in 2005 by the Agreement on Textiles and Clothing (ATC) under the World Trade Organization (WTO). As an impact, with all the restrictions and control on outsourcing and trade in textile and apparel is by and large gone or reduced to the minimum, we observe a tremendous growth and expansion and also restructuring of the global T&C 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 MFA phase out, for example, CAFTA-DR Tariff Preference Levels (TPL) agreement between the United States and Nicaragua; the African Growth and Opportunity Act (AGOA), a US scheme for sub-Saharan Africa, and EU's Generalized System of Preferences (GSP) scheme "Everything but Arms," providing for duty free imports from certain least developed countries, etc (Fernandez-Stark et. al. 2011). The impact of all these agreement in real terms was flooding of textile and apparel outsourcing from North America and Europe to low wage location all over the globe.

By and large the following factors determined the competitive advantage of various countries in terms of developing as major centers of the global T&C value chain and their position in the value chain:

1. Comparatively lower labour cost and more liberalized economic institutions determined the most preferred destinations for low value segments of the value chain, e.g., China, Cambodia, Bangladesh, India, Vietnam etc.
2. Early entry in global value chains and specialization in designs and as full package suppliers, determined the higher place in the values chains, e.g., newly industrialized countries and some other early entrants in the value chain like Sri Lanka and Turkey
3. Generally the countries with significant presence of textile industries and better scope for diversification had better opportunities for moving up in the value chain as full package suppliers

With the above dynamics 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 dynamics wherein they lost market share in some markets and gained in some other markets, for example, Indonesia lost in EU market but gained in US and Japan market, while Sri Lanka lost in US and gained in EU market
3. All the past major suppliers for example, Hong Kong; South Korea, Taiwan and Singapore (that moved up the value chain), and Malaysia, Philippines and Macao (china), and also those benefitted by MFA like Thailand, lost their 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 **table 6&7** below. It is clear from the table 6 that the China emerges as the single most important apparel production center. Its share in apparel exports increased from 15 percent to 33 percent. EU remains second most important exporter (retained its cumulative share at around 31 percent). Other countries that gained from this relocation include primarily, Bangladesh, Vietnam, Cambodia, India, Pakistan, and Sri Lanka. The Countries that lost some or the major part of their share include, Taiwan, South Korea, Hong Kong, Philippines, Malaysia, Thailand, Indonesia, and in other regions mainly US and Mexico and Poland. We can see that currently about 50 percent of apparel export is from Asia. Similarly, as we can see in table ---, the major section of workforce engaged in global apparel production is also in Asia, with highest size of workforce in China, followed by Bangladesh, Pakistan and India, and also Sri Lanka and Cambodia.

Table 6: **Top Apparel Exporter Countries by Year, 1995-2008. (Values in $US Billions)**

Country/ Region	1995 Value	1995 %	2008 Value	2008 %
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	--	--
Morocco	--		--	--
Korea, Republic 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 and % Share of World Exports				
	127.5	**80.5**	**315.0**	**87.0**

Source: Fernandez-Stark et al. 2011

Table 7: Apparel Employment in Selected Countries

Countries	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	403,100	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	na	2008
China	19,000,000	19	2004
Note: Data on China, Pakistan and Madagascar includes both clothing and textile.			
Source: Fernandez-Stark et al. 2011			

The global apparel export markets are continued to be concentrated in United States, 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 accounted for 6.9 percent. The cumulative share of these three is as high as 75 percent of 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 US 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 export markets and particularly EU-27's export is growing in this region. (Gereffi and Frederick 2010)

The global apparel value chain gradually evolved in to a completely buyer driven value chain with following structures:

1. **Own Brand Manufacturers-(OBMs):** Global apparel brands mainly focus on branding that is emerging as the highest value adding activity in GVC, rather than design or manufacturing. The brands or the lead firms completely concentrate on the creation, penetration, and defense of markets for end products. Manufacturing including the design is completely outsourced. Most of the global brands operate their manufacturing operations across the globe without any of 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 like Wal-Mart, Sears and JC Penney, athletic footwear companies like Nike and Reebok, and fashion-oriented apparel companies like Liz Claiborne, Gap and The Limited Inc. are all "manufacturers without factories", 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 majority of a factory's output. Generally it is preferred to have 30 percent of a factory's business, but at any case not more than 70 percent. With increasing share of revenue captured by retails, there is a dominant tendency of brand owners becoming specialty retailers, and opening 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., US, EU and Japan, and they retain their position mainly by virtue of their traditional leadership in the industry, control on finances and home markets that account for 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 and coordination and other related costs, easily respond to flexibility in demands and needs for continuous product diversifications, and to exploit the benefits of international capital mobility in terms of being able to easily shift their orders wherever the labour cost is cheapest, increasingly adopted a strategy to move from CMT supplier model to 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)[2] suppliers, with 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, without making any investment in constant capital, can get required amount of products of particular designs in time, they may launch new product designs in market in no time without any investment in machinery etc, and they may also shift their orders to any other more profitable locations without facing any problem.

b) Original Design Manufacturers (ODMs)/ Full Package suppliers with Design

Original design manufacturers generally evolved from OEMs, by acquiring additional capabilities in designs. 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 brand, however, if they do so, they may lose the business from the existing buyers.

Initially most of the Asian OEM and ODM suppliers emerged from 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, China and India. It is increasingly becoming a

[2] For the quoted price, the products are delivered onboard a ship or to another carrier at no cost to the buyer

trend that a section of FOB suppliers are evolving in intermediaries, and rather than directly engaging in manufacturing, they work by establishing and coordinating a network of suppliers.

c) **Third Party Sourcing Agents/Service Providers:** This model is popular with buyers that require smaller volumes or larger buyers that need small quantities of certain items. They are also mostly based in newly industrialised countries, i.e., Hong Kong, Taiwan, Singapore and South Korea. For example, Li and Fung Limited of Hong Kong has adopted a more prominent role as primary purchasing agent for giant retailers like Walmart and global apparel brands like Liz Claiborne and Timberland etc.

3. **Assembly/Cut, Make, and Trim (CMT) Suppliers:** CMT is a low value 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 global apparel value chain, and major part of the workforce in major apparel producing developing countries are engaged in only this kind of activities

In the broader picture of up-gradation in Asian apparel value chain, currently, Major ODM suppliers are emerging in China, India and Sri Lanka, OEM suppliers are emerging in Sri Lanka, Bangladesh and Indonesia, and to a very limited extent also in Vietnam; but dominantly Cambodia (limitation: lack domestic textile industry), Vietnam (limitation: lack of domestic textile industry) and to a large extent Bangladesh (limitation: 85 percent of needed materials imported from China, India, Pakistan, Hong Kong and Taiwan) also are locked at the CMT level. We should also keep in mind that even if some firms are moving up the value chain, the country as a whole is not moving up in the value chain, as we have already discussed that major section of workforce in all developing countries is engaged in CMT only, and actually moving up of 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 higher dependence on garment industry for manufacturing GDP, employment and exports. For example, Bangladesh has the highest total dependence on textiles and clothing as a total share of merchandise exports (83.5%), followed by Pakistan (67.2%) and Sri Lanka (47%). Bangladesh and Cambodia have very high shares of total manufacturing employment in the T&C industry (77% and 90%). (Keane & Velde 2008)

The nature of global apparel value chain brings disastrous impacts to 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, 200000 in Pakistan, 100000 in Indonesia, 80000 in Mexico, 75000 in Cambodia and 30000 in Vietnam. Worst impacts were felt in those countries that are locked in CMT because they do not have any greater opportunity for diversification in order to reduce the impacts, and also because many of these countries are still marginal suppliers in terms of volume in comparison to countries like India and China and during the recession there is a tendency of buyers transferring business away from marginal suppliers to their core operations. (Gereffi & Frederick 2010)

It is interesting to note that the countries like China, Turkey, and India have developed capabilities that permit vertical integration in apparel and their reliance on apparel exports tends to diminish because their upgrading processes facilitate broader industrial diversification. In order to reduce the impacts of the crisis, we observe a tendency in these countries to reduce their reliance on exports and focus more on sales in their national market. This has also accelerated the upgrading processes in terms of moving up the value chain from assembly and full-package supplier to original design manufacturer and from ODM to own brand manufacturing (OBM). It is worth mentioning here that by 2007, the sales in the Chinese home apparel market reached about $93 billion, and about 56 percent of the overall apparel production in China was targeted to local consumers (Gereffi & Frederick 2010). We may observe similar trends in India also, but with lesser intensity.

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Chapter 3

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 integration of Asia in global supply chains as discussed in earlier chapter, the industrialization-urbanization was accelerated in a big way in almost all the Asian developing economies. In overall terms the share of the South in world GDP rose from about 25% in 1980 to 45% in 2010 of which developing Asia alone accounted two-thirds. China, India and Viet Nam clearly emerged as the fastest growing economies. Being the world's most populous countries the rise of China and India dramatically changed the regional and global economic landscapes. In 2005 China alone accounted for 5% of the world economy at market exchange rates and 10% in terms of purchasing power. It is already the second-largest exporter in the world. India accounted for 2% of world output at market prices and about 5% at purchasing power parity, and contributed 1% of world trade. From 1985 to 2006, total trade (exports plus imports) increased from 24% of GDP to 142% in Viet Nam, from 42% of GDP to 66% in China, and from 17% of GDP to 34% in India. More than 90% 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, Philippines, and Thailand have become increasingly important exporters of services[3] outsourced by foreign companies. For example, India's services outsourcing market has been growing at 25% a year. In over all terms, the share of Asia in global trade has risen dramatically. Its trade with European Union more than doubled as a share of its GDP, from 2.6% in 1986 to 6.0% in 2006. The increase is even larger in terms of share of the EU's GDP. The aggregate trade data suggests that Asia is steadily integrating globally as well as regionally. Trade within Asia has increased from 37% of its total trade in 1986 to 52% in 2006. Asia's intraregional 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)

With in Asia, the importance of Integrating Asia[4] and particularly East Asia and specially China is very visible. The Integrating Asia accounts for 87% of the region's population and 96% of its output (ADB 2012). It is interesting to note that East Asia alone produced 32.5% 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 southern countries rose from about 7% of world nonfuel merchandise trade in 1990 to 17% in 2009; the developing Asia

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

[4] 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

accounted for about three quarters of south–south trade, and China alone accounted for roughly 40% (ADB 2011). Also, China alone accounted for half of trade within Asia (ADB 2012).

The trade flows also correspond to FDI flows. Asia accounted for 30.1 percent of world FDI inflows and 22.2 percent of world FDI outflows in 2012. East and South East Asia alone accounted for 24.1 percent of world FDI inflows and 19.8 percent of world FDI out flows. The share of south Asia remained only at 2.5 percent in world FDI inflows and 0.7 percent in World FDI outflows in 2012 (a decline in share was recorded from 2010 to 2012). It is also interesting to note that 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% 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 Major part of world FDI is still among Northern countries, the share of south has grown fast. By 2009, about a quarter of global inward FDI stocks and about 13% for outward FDI stocks were in the South. Developing Asia accounted for more than 70% 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 like ASEAN and SAARC etc, and bilateral and multilateral agreements. Asia is witnessing 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 Asian developing countries in to primarily urban economies. It is well reflected in the structural change in GDP of these countries. In mid 1960s share of agriculture in GDP in East, South East and South Asia was more than 40 percent, and in 2007 it declined to under 20 percent in South Asia and under 10 percent in South East and East Asia. The share that was lost by agriculture was gained by industries and services. (Broca 2010)

The above dynamics is also very well reflected in phenomenal rise of Asia with exceptionally higher growth rates in most of the developing countries of the region in a situation when the growth rates in developed countries remain dismal or show a declining trend. Integrating Asia recorded a GDP growth rate of 4.1% during 1986-2006, while European Union, United States and Japan recorded a GDP growth rate of only 2.4%, 3.1% and 2.2% respectively during the same period. The world average GDP growth rate in this period was at 3.8 Percent. Among the fastest growing economies in Asia (1986-2006) now we have China (9.7%), Cambodia (8.5%), Singapore (7%), Vietnam (7%), South Korea (6.5%), Malaysia (6.5%), India (6.3%) and Thailand (6.1%). Also in terms of GDP per capita Asian countries recorded a high growth rate. In overall terms, the Integrating Asia recorded an average per capita GDP growth of 2.6 percent from 1986 to 2006, with China at the top of the list (8.6%), followed by Cambodia (6.2%), South Korea (5.7 %), Vietnam (5.2%), Thailand (4.8%), Taiwan (4.7%), Singapore (4.5%), India (4.4%), Hog Kong (4.2%), Malaysia (3.8%) and Indonesia

(3.7%). On the other hand, during the same period, European Union and United States recorded only 2 percent growth rate in per capita GDP and Japan only at 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 in above terms are in no way comparable with the impact of historical industrialization of developed countries in relevant phases. Industrialization in developed countries in the relevant phase led to an overall transformation of economy, society and lives of the people. **With decline in the share of agriculture and increase in the share of Industry in GDP, there was also a simultaneous shift of agrarian workforce to the industry. In the relevant phase in Europe, a large section of surplus population was transported to America. This created a dynamics where in, on the one hand, informal sectors gradually disappeared, industrial workers formed huge majority of the workforce, and on the other hand, related developments increased the collective bargaining power of working class and therefore it was able to gradually win relatively decent working conditions and better social security benefits.** However, in the current phase of globalization, the industrialization-urbanization 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 structural change in GDP, there is no corresponding decisive change in the structure of the workforce. Even if the share of agriculture in GDP declined drastically, huge majority of population is still compelled to survive on its tiny agricultural holdings or in various low paying precarious informal sectors. In Asia, the share of agriculture in employment remained still at about 50 percent. From 1980 to 2010 agriculture's share in employment in East Asia excluding Japan declined from 72.4 percent to 58.6 percent, in south east Asia from 63.2 to 46.8 percent and in south Asia from 67.2 to 51.1 percent (Cheong et al 2013). Average size of land holdings of 85 percent of farmers in Asia is less than 2 hectares (Memedovic & Shepherd 2009) and they are living in miserable conditions. Moreover, huge majority of workers in Asian developing countries, rather than getting any decent employment opportunities, are compelled to work in precarious informal sectors. 23 percent of non-agriculture workforce in East Asia, 34 percent in South East Asia and 40 percent in South Asia is surviving as self employed workers in precarious informal sectors; and in totality the informal workers form as high as 65 percent of the non-agriculture workforce (ILO 2002). The proportion of informal workers in Asia excluding Japan and newly industrialized countries, where the size of informal sector is very small, is alarmingly very high. For example, then the proportion of informal employment in non-agriculture employment in India, Indonesia and Philippines is as high as 83 percent, 78 percent and 72 percent respectively (ILO 2002).

Moreover, even if per capita income in many Asian developing countries recorded a significant increase, and 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 one decade from early 1990s to 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 developing Asia, the Gini-coefficient increased from 39 to 46 during the same period. (ADB 2012, ESCAP 2013)

Alarmingly, the Labor's share of total income is continuously declining in almost all economies in the region. From mid-1990s to mid-2000s, labor income as a share of manufacturing output in the formal sector fell from 48% to 42% in China and from 37% to 22% in India. Similar are the trends in other Asian developing countries. (ADB 2012)

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

1. **Industries in Developing Countries Locked at Low Value Adding Positions and the Labour locked at Low Wage conditions**

It is interesting to note that the picture of rising Asia presented above is one sided. It has another important dimension. 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 new international division of labour shaped effectively in the global value chains. In Asia and particularly the integrating Asia, parts and components forms a large share in 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% in 1996 to 29.4% in 2006, in a situation when at global level its share recorded only a very little increase from 19.6% to 20.2% (ADB 2008). As a share of GDP, PCT is among the highest in ASEAN (especially in Malaysia, Philippines, Singapore and Thailand) and in Taiwan. PCT trade among ASEAN countries rose from an average of 35% of manufacturing trade in 1996 to 43% in 2006, and in China its share nearly doubled over the same period from 12.5% to 24.0%. (ADB 2008)

Integration of South Asia with global value chain is delayed and slow, but the trend is the same. The share of components in manufacturing exports by India increased from 3 per cent in 1992/03 to 10 per cent in 2006/07. The corresponding import share increased from 18 per cent to 23 per cent during the same period. Intraregional markets account for about 30 per cent of Indian manufacturing exports. India's share of intraregional imports in total manufacturing imports nearly doubled from 22 per cent in 1995 to 42 per cent in 2010. Components accounted for 14 per cent of intra-regional manufacturing exports and 25 per cent of imports. Since 1995, ASEAN countries have accounted for about 10 per cent of India' manufacturing imports, while the share of imports from China, Japan and Republic of Korea more than doubled in the same period from 16 per cent to 34 per cent. (Witada Anukoonwattaka and Mia Mikic 2011)

It is interesting to note that the pattern of fragmented production blurs where the exports are ultimately destined. About 73 % of intra-East Asian trade consists of intermediate goods that are used for production of final goods and about half of these intermediate goods trade is driven by final demand outside Asia, leaving only 21.2% of East Asian exports finally consumed in East Asia (ADB 2007). We can appreciate the real nature of regional trade growth in Asia keeping in mind the above dynamics. This also gives an understanding of the fact that even if initially the rise of China was at the cost of shifting productions (and FDI) in certain industries from some other countries of the region, but now the supply chains are shaped in such a way that FDI in China, the main hub of production networks, is positively correlated with the FDI in other regional countries. 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 extensively 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 the Integrating Asia remains a net importer of parts and components. The China being the hub of regional production, face particularly larger deficits. In 2006, China's imports of parts and components were 37% of its total manufacturing imports, while exports were only 15.5% of the manufacturing total (ADB 2008). This is precisely because high value adding operations in the global value chains are in strict control of TNCs and located in developed countries. The deficit is due to huge value of imports of high-tech intermediate products from EU, US and Japan. We may observe the similar situations in other Asian developing countries.

The whole dynamics of global value chains is such that the developing countries are typically locked at low value adding and highest labour intensive ladders of the value chains. Moving up the value chain requires pre-existing global presence and higher technological capabilities (and significant size of skilled workforce) that acts as an effective barrier for developing countries. Their colonial past, during which they faced de-industrialization and for exceptionally longer periods were locked in pre-industrialization stage, places them at a disadvantageous position even today. Because of their late industrialization, there are very few if any enterprises with high technological capabilities and global presence, nor they have significant size of skilled workforce, and the global value chains rather than providing to acquire these capabilities, demand a pre-existence of these capabilities for getting a place at high value adding positions of GVC. Moreover, acquiring the technological capabilities has become highly expansive. Equipped with all sorts of intellectual property rights laws, the TNCs exercise an effective control on technology and never willing to share it with developing country firms. In such situations, many times, to acquire technological capabilities the only option left is acquisition of some developed country firms, and obviously this option can be tried only by very few comparatively bigger firms with greater financial powers, mainly in comparatively larger economies like India and China where some larger size firms were able to emerge, taking advantage of different kind of special historical and politico-economics situations.

In the given situations, the structural dynamics of GVC that seems emerging in Asia can be briefly highlighted as below.

TNCs of developed countries (North America, Europe and Japan) acquire the position of OBMs and also to a large extent as OEMs and monopolize-control the high value adding-technology intensive operations largely in their home based facilities.

Newly industrialized countries, i.e., South Korea, Taiwan, Hong Kong and Singapore, decisively moved up the value chain, mainly by virtue of their special historical and politico-economic linkages with the west in post second world war situations, that facilitated their early entry in the global value chains, and emergence of powerful corporations possessing high technological competence largely with active support from the states. Within the general commonality, the diversity of this dynamics is reflected in South Korea being exceptionally able to move up at the OBM level, Taiwan specializing mainly at ODM level, and the Hong Kong and Singapore specializing in such OEMs emerging 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 the similar way, mainly by virtue of its early integration in the GVC and its close linkage with Singapore economy. Most important factor was its focus on non-resource intensive industries since the onset, rather than labour and resource intensive industries as is the case of China and India. The Malaysia's jump to the higher level of the value chain is well reflected in its transformation from an agrarian-based economy to the middle income economy. A decade back, in electronics industry it acquired more or less a similar position as the China acquired now, obviously at far lower scale. Malaysia has particularly a strong position in photovoltaic (PV) industry, medical devices industry (MDI) as well as in transport equipment industry (Yunus 2012 and World Bank 2011)

The upward movement in the value chain is also evident in particularly larger economies of Asia, for example, in China and India, with dynamics, very different from those of newly industrialized countries. The major factor is precisely the larger size of these economies and their larger markets that helped in emergence of some powerful corporations in certain sectors. In China, the added dynamics relates to the state's determined emphasis on R&D and its active support to its enterprises. It is interesting to note that in China, the 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 was reflected in the number of patents registered in China increasing rapidly and reaching to 411,982 patents in 2008, not far behind Japan, the current world leader in new patents (Pratap 2013). Moreover, China aggressively moved for acquisition of many firms in developed countries largely with a major motive to acquire technologies and to emerge as global transnational brands; for example, China's takeover of Ford's Swedish car unit, Volvo and Lenovo's acquisition of IBM's PC division, etc. These factors, along with huge home market, helped many Chinese firms to emerge as powerful local brands, some as powerful global brands, and a large number of firms specializing as OEMs. This emerges as a general trend in many sectors in China. In India, rather than a general trend, we observe such trends only in few sectors and that also at lower scale than in China, for example, in automobile sector, ICT services and in garments. In India also some larger corporations moved for acquisition of developed country firms to acquire technologies and to emerge as global transnational brands; for example, Tata's acquisition of Ford's Jaguar and Land Rover in England, Mahindra&Mahindra's acquisition of Korea'a Sangyong motors etc. However, this upward movement in the value chain does not mean that the whole economies are moving up the value chain, actually in overall terms these economies remain at low value adding positions and only few firms are moving up the value chain. This is particularly reflected in conditions of India where the total value added in manufacturing still constitutes only 20 per cent of the value of output in the organized manufacturing sector, and in electronics industry, it is as low as 5-10 percent (Pratap 2013).

In other Asian developing countries, the dynamics of moving up the value chains is weaker, and by and large these countries are typically locked at low value adding positions of the value chains. In few countries where the tendency of moving up the value chain is visible, is only in a particular industry in which the country acquires an important position in terms of an important global production center, for example in garment industry in Sri Lanka and Bangladesh, and automobile industry in Thailand. A number of firms in Sri Lanka and Bangladesh are seen emerging as competent OEMs. Emergence of ASEAN and FTAs actually led to transformation of Thailand automotive industry from mainly focused on auto parts production to more focused on CBU vehicles. FTAs actually went beyond the WTO in terms of tariff liberalization including for automotive products and vehicles. With this added factor, combined with advantage of a promising home market as well as advantageous geo-political location, Thailand emerged as one of the major production platforms for major players in international automobile industry and acquired a position of 13th largest automotive exporter in the world, and the third largest in Asia, after Japan and South Korea. The vehicles manufactured in Thailand not only serve the home market but also the regional market. Most importantly, the one-ton pick-up trucks manufactured in Thailand are sold world-wide including to Europe and the Middle East. With these developments, there is also steady increase in the vehicle's local content. (Kohpaiboon and Yamashita 2011)

The above structure of Asian economy is also very well reflected in the share of various Asian countries in world out ward FDI(Table---). 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 newly industrialized countries (Hong Kong, Taiwan, Singapore, South Korea), and those fast climbing up on the value chain ladders, i.e., emerging Asian economies that have already more or less positioned them at higher ladders, i.e., Malaysia, and those gradually positioning them at higher ladders i.e., China and India. It is interesting to note that the Hong Kong (and also Singapore) account for huge share of outward FDI from Asian countries, and this reflects on their typical position at the higher ladders of the value chain, playing the roles of financiers and managers of value chains and emerging as regional trade and finance centers. It is worth mentioning that the Hong Kong's position at the top is because of the fact that most of the China's trade and FDI outflows and inflows are routed through Hong Kong. 51.2% of China's inward FDI came from Hong Kong and 63.0% of outward FDI from China went to Hong Kong in 2009 (Li 2013).

Table: FDI Outward Stock by Region and Economy 1990-2012

		Million USD	
Region / economy	1990	2000	2012
World	2 091 496	8 025 834	23 592 739
East Asia (excluding 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 recent developments in the GVC in terms of Malaysia, China, and India moving up the value chains is also reflected in the fact that Malaysia's one (Petronas) and China's two (CITIC group and China Ocean Shipping Company) TNCs are now placed in top 100 non-financial transnational corporations ranked by their foreign assets (UNCTAD 2013). It is more reflected in the fact that China's 89 companies and India's 8 companies were listed in 2013 Fortune 500 companies, and China's three companies (Sinopec, China National Petroleum Corporation and State Grid Corporation of China) occupied a position among the top ten in this group (Fortune Global 500).

However, upward movement in the value chain in China and India cannot be compared with that of newly industrialized countries. In newly industrialized countries moving up the value chain was accompanied with shifting of manufacturing activities to other low wage countries. This is largely not the case in China and India, neither in other countries where industry specific upward movement in the value chain is observed for example in Bangladesh and Sri Lanka in garment industry and in Thailand in automobile industry. In these countries, if upward movement is accompanied by shift of manufacturing operations, it largely happens in terms of lower value chains moving to other low wage locations in the same country. China presents a very dynamic picture in this regards, where the shift of manufacturing to other countries has also emerged as a tendency, for example particularly in garment sector. It is not only shifting to Cambodia and Bangladesh, but also to other countries. It is reported that with increase in wages in China, the orders shifting out of China are tens of billions, and no single country in south-east Asia could take that on its own.[5] This is clear cut signal of decisive compulsion for China for upward movement in the value chain in terms of: a) Losing in labour intensive operations and specializing as OBMs and OEMs, and b) get ready to lose in low value adding manufacturing industries like garments and focus more on high value adding industries. But if we situate these developments in overall economy of China, the dominant trend is still in terms of shifting the lower ends of value chains to other low wage locations within the same country, rather than in other country. For example, some inland provinces, such as Chongqing, now attract almost as much foreign money as Shanghai.[6] It appears that the shifting of orders from China is more a strategy of global brands to spread the risks, and less a reflection of China's moving up in the value chain. Concentrating all the productions in one country always brings a risk for the global brands and therefore spreading the value chains in various countries is always inbuilt in their strategy. In other countries, we do not observe any significant shift of manufacturing to other countries; shift is largely to comparatively low wage locations within the same country.

[5] 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

[6] 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

It is interesting to note that upward movement in the value chain comes with a very different dynamics in case of India and China. Largest share of outward FDI from a number of comparatively powerful transnational corporations that are emerging in China and India (also Malaysia), are targeted for acquisition of natural resources (oil fields and mines), acquisition of developed country firms to get access of technologies, and in terms of global expansion of service sector companies like ICT services and construction[7], rather than targeted to capture the regional markets and expanding their own value chains in the region. For example, largest part of outward FDI from China is in mining ($13b), followed by leasing and business services ($20.47b), Financial intermediation ($8.73b), wholesale and retail trade ($6.14b), and manufacturing (2.24 $b). This is also reflected in the fact that most of the PRC's outward FDI go to developed countries, and more than half of the outward FDI is M&A in most of the years between 2003 and 2009. The similar trends we also observe in India. (Li 2013 & Khan 2012)

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To sum up, the expansion of global value chain in Asian countries is targeted to resolve the crisis of falling rate of profit in developed countries, by way of exploiting cheap labour in typical conditions of low organics composition of capital in developing countries. Depending on particular nature of industries, if the competencies in other relevant factors (technological capabilities, infrastructures, skilled labour force, and proximity to markets) are at the same level, the preferred destinations for capital are determined by low cost of labour. This situation locks the developing countries at low value adding stages of the global value chains. Only those countries with higher technological capabilities due to early industrialization (four newly industrialized Asian countries, and Malaysia) or those with larger size of growing market (China and India) have a limited scope for moving up the value chain with prospects for few national firms emerging as globally competitive brands. Therefore 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, entire labor 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 brings disastrous impacts to the labour in terms of:

a) Major industries and major section of industrial workforce is locked in low skill and low wage situations with almost no scope for upward mobility
b) A section of people, mainly those engaged in helping, running and managing the global supply chains in developing countries in various ways, are benefitted in a big way by the expansion of global value chains, surge of trade and growth in GDP. This section forms the expanding middle class in these countries, and they are actually benefitted at the cost

[7] For example, expansion of construction services of China reached to the extent that it has now overtaken the USA as an international contractor, and in 2010, it had almost 15% of the global market in international contracting, with 25% of the Asian market and nearly 40% of the African market. (BWI 2013)

of labour. This is well reflected in the gap between earnings of the middle class and that of the workers directly engaged in production and services. This is one of the most important factors for rising inequalities in almost all developing Asian countries

c) With the dependence on global value chains, all the countries are compel 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 greater dependence on exports, and greater dependence on exports to one country or one region, are more vulnerable and 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 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 kind of long term down turn and greater share of laid off workers were not rehired even after the crisis. During the recent crisis, large number of jobs were lost in apparel industry of Asian developing countries, including 10 million job losses in China, 1 million in India, 200000 in Pakistan, 100000 in Indonesia, 80,000 in Mexico, 75,000 in Cambodia, and 30,000 in Vietnam, 30,000. (Gereffi & Frederick 2010, Ernst 2004)

d) The import bill of developing countries (of high value added parts and components) is rising alarmingly (for example, India's electronics import bill reaching next to the oil) and creating additional factors for economic/monitory crisis that ultimately bring worst impacts for labour in terms of inflations, increasing the cost of living etc.

2. Accelerating the Primitive Accumulation and Expanding the Reserve Army of Labour

Integration of Asia in global value chains alarmingly accelerated the primitive accumulation in various Asian countries in terms of large scale land acquisitions for various industries resulting in mass destruction of livelihoods and mass displacement of the people.

Along with large scale land acquisitions for industrial zones, in many South East Asian countries, the government pursued policies to allot large tracts of so called unused and vacant land to foreign and local investors to undertake projects supposedly to boost the economic growth and create 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 South East Asian countries, these so called unused and vacant lands are not really vacant; they are actually cultivated by farmers for decades, many of them without any legal document to prove their rights on land. Therefore, the land acquisitions resulted in destruction of their livelihoods and mass displacement and for many of them without any compensation because of lack of any legal document to prove their right on that land. We observe large scale dispossessions in Cambodia, Indonesia, and Thailand etc more or less in similar situations. For example, in Cambodia more than 400000 rural people have been affected by land acquisitions since 2003. It is interesting to note that mostly the land was allotted to the corporate in the form of long term lease, at throwaway prices. This created a bitter conflict between farmers and the corporate. The rising discontent on this issue resulted in mass unrest in affected regions. (Cherry 2013)

In China it took a different dimension, the dismantling the Commune system and implementing household responsibility system in agriculture actually amounted to dispossession of all peasants in terms of denying them any land ownership rights and actually converting them in tenants (long term lease). Peasants were compelled to pay numerous levies along with 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 sale of land use rights to private business took place, with very little compensation to farmers. For example, In one case of Yunnan Province, the state paid a compensation of 28,000 *yuan* per *mu*[8]to the collective of farmers, and then sold its land use rights to business for 150,000 *yuan* 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 in to zone, the dispossessed farmers were in a winning position in terms that they got residential flats in city centers and got 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 alternatives.

In India, there were large scale land acquisitions for various kinds of infrastructure and industrial projects that resulted in mass destruction of livelihoods of farmers, forest workers, fish workers and the workers engaged in various kinds of other traditional occupations. Nearly 600 special economic zones (SEZs) are approved and many others are planned. It is estimated that nearly 200,000 hectares of mostly the multi-crop land (capable of producing close to one million tons of food grains) will be acquired for these SEZs that will result in loss of livelihoods and displacement of about 114,000 farming households (each household on an average comprising five members) and an additional 82,000 farm worker families who are dependent upon these farms. Thousands of people have already lost their livelihoods and displaced. It is to be kept in mind that in India the average size of landholdings are very small and more over, in many areas particularly the tribal forest workers do not possess any legal proof of their rights on land. In these situations, peasants received very little compensation and forest workers were dispossessed without any compensation. In many cases the villagers lost their grazing lands, water resources etc. Polluting industries coming in their areas also affected the forest vegetation, polluted their water resources and actually destroyed those livelihoods also that were left from land acquisitions. One can imagine the overall impacts of land acquisitions if we look at cumulative amount of land acquired by all industrial and infrastructure projects all over India. It is in this background, strong anti-land acquisition movements emerged and took a violent shape in many regions most prominently in Singur and Nandigram of west Bengal. It was the force of this movement that dispossessed the left front government from West Bengal. (Pratap 2013 SEZ)

Land acquisitions are not the only factor leading to dispossessions of the people from their livelihoods, many other processes with similar impacts accompanied. We can make reference of only few cases here. For example, in India, the expansion of global supply chain of 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 like Tata, Mahindra and Mahindra, ITC, Hindustan Lever,

[8] *Mu* is approximately one-sixth of an acre

Dunlop, having companies like INDFISH Ltd., Fortune International Ltd., Inchita Fisheries Ltd. etc. and Multinational Giants like US-based Consolidated Sea Food Corporation, Chevanne Merceron Ballery, AM Produkte of Germany and Mitsubishi Corporation etc. Entry of these corporate fleets in Indian sea resulted in virtual dispossession of 12 million Indian fisher folk from their livelihoods. [9] In EEZs the fisherfolk are not allowed to enter and in many other regions they are unable to get any fish. Moreover, in many coastal areas the industrial pollution or port activities has aggravated the problems further. Discontent among the fish workers led to the emergence of a strong movement of fish workers in coastal states led by National Fish Workers Forum (NFF). Similar trends we observe in Indonesia and other south east Asian countries also.

In another case, the states in most of the Asian countries have allowed or increasingly allowing the multinational retail brands to open their retail chains. In India this process started only recently, the government has already approved foreign direct investment (FDI) in multi-brand retailing with 51 per cent ownership. It is worth mentioning that the retail sector provides livelihood to millions of small retailers mainly in the nature of self employment. It is but natural that entry of corporate and multinational retailers will lead to dispossession of these millions of retailers. The government is looking at its prospective gains in terms of expected tax revenue of USD16.2 billion from multinational retailers[10], but is not concerned with the loss of livelihoods of millions. It is also worth mentioning that the issue is not only raising the concerns of small retailers but also the 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 the monopoly on markets the local farmers, suppliers and manufacturers may have very little bargaining power with these multinationals. It is in this background a strong opposition is emerging against entry of multinational companies in retail business of India. A similar phenomenon is seen emerging in the waste management sector. Recently, in new waste management policies the sector is privatized and the entry of corporate in this business is facilitated. This is resulting in loss of livelihoods of millions of waste pickers. We observe similar processes with similar impacts in many other Asian developing countries also.

Moreover, large scale privatization of public sector enterprises accompanied with downsizing not only led to the loss of employment for millions, it resulted in permanent loss of secured space of decent jobs for socially excluded sections of the society, for example, the loss of space for Dalits and Tribals who were provided an insured space in government and public sector jobs by way of reservation policy, that is not implemented in private sector.

It is ironic that the loss of livelihoods in the above processes is thousands of times more than the new jobs created by expansion of global value chains. The whole picture of development emerges as as jobless growth. For example, it is interesting to note that the foreign-invested enterprises accounted for about 55 percent of exports and imports but their contribution to employment was only 5% (Li 2013). Moreover, the jobs created are in no way decent than the livelihoods that are lost. Huge proportions of new jobs are more in the nature of informal employment without any livelihood security or social security that is reflected in drastically

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

[10] 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

increasing proportion of informal workers in the formal sector in most of the developing Asian countries.

It is in the above process of large scale dispossession without creating any alternative opportunities of alternative and decent livelihoods; the whole high growth rate in the Asian developing countries is aggravating the problems of inequality to alarming levels, and creating a huge reserve army of labour fulfilling the need of cheap and flexible labour force. It is in this light we can understand the emergence of huge precarious informal sectors that are nothing but a home of reserve army of labour. This is a continuing process, a small part of informal sector workforce, mainly the self employed primary producers are assimilated in the global value chains and converted in to cheap labour at their own field/work places, and the rest are either dispossessed or in process of dispossession and emerging as floating reserve army of labour or surviving in precarious informal sectors as reserve army of labour in the waiting.

3. Drastically Declining Collective Bargaining Power of Labour and Alarming rise in Occupational Health and Safety Problems

The whole dynamics of development based on FDI, exports and expansion of global value chains brings a kind of dependency of developing countries on foreign capital to the extent that it becomes a question of life and death to get a significant share of FDI and export orders from developed countries. The competition among the developing countries to provide TNCs the better prospects for profit maximization, takes the form of an all round privatization, offering huge tax benefits, lower cost of raw materials, land and other natural resources. But most importantly it takes the form of deregulations of labour relations in favour of capital. In almost all Asian countries, informalisation of labour is increasingly allowed to the extent that now they form the majority of industrial workforce. Increasingly, the self certification in labour laws including the occupational health and safety laws has become a dominant trend, and it leads to rampant violation of labour laws. By way 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. .It creates a situation, where in the labour market for capital has no boundaries, while the job market for labour is systematically restricted in national boundaries. In a situation of unrestricted capital mobility, for fear of losing investments the nation states are increasingly acting as corporate agents and in the name of maintaining industrial peace, openly collaborating with corporate to practically deny any right of collective bargaining to workers, even if these rights are guaranteed by the national constitutions and even if relevant ILO conventions are ratified by the countries. On the other hand, the risk of losing jobs reduces the bargaining power of labour. These situations 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 /attract investments. The cumulative impact of these situations effectively reduces the collective bargaining power of labour and increases the bargaining power of capital.

The new international division of labour equally affects the labour in developed countries. The jobs are increasingly shifted to developing countries and unemployment is increasingly at alarming rates. These factors are drastically decreasing the collective bargaining power of labour that is reflected in recent cuts in social security benefits and in deteriorating social security structures. This situation also blurs the consciousness of workers in developed countries and they start articulating as if their livelihoods are looted by developing country workers

In the new international division of labour, on the one hand, the transnational capital controls the whole global value chain, but on the other hand, it is largely not directly involved in the production process any more, i.e., it is increasingly distanced and detached from the factors of production. Therefore it has no concern or compulsion for wellbeing of the factors of production-the labour and the natural resources. On the other hand, with export dependence, the national capital and the nation states also worry more about offering competitive profitable investment opportunities for TNCs, rather than any greater concern for local factors of production. It is in this light we can understand the wasteful destruction of natural resources, increasing environmental problems and alarming increase in number of workers suffering and dying due to occupational health and safety problems.

Globally, every year more than 2 million people die due to work-related diseases and 321,000 people die due to occupational accidents. Moreover, 160 million 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 measures. In other words, every 15 seconds one worker dies from a work-related accident or disease and every 15 seconds 151 workers face 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 ILO, 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% of global GDP. The total cost of cost of occupational injuries and diseases is alarmingly very high for the society as a whole. Millions of workers continue to be at risk of pneumoconioses (silicosis, coal-worker's pneumoconiosis, and asbestos-related diseases etc) in Asia due to widespread exposures to silica, coal, asbestos and various mineral dusts in mining, quarrying, construction and other manufacturing processes. In China, pneumoconioses make up more than 80% of all cases, in India about 10 million workers employed in mining, construction and various industries are exposed to silica dusts and silicosis prevalence rates are found to be 54.6% among slate pencil workers and 35.2% among stonecutters, and 18 % among coal-workers. In Viet Nam, pneumoconioses account for 75.7% of all compensated occupational diseases. (ILO 2008 and 2013)

To sum up, the most important issues that emerge as common concern for labour in Asian developing countries include expanding reserve army of labour, low wages, informalization of labour, no or very little job security and social security, no scope for upward mobility, rampant violation of labour rights, increasing problems of occupational health and safety and environmental hazards, rising inequality, and collusion of state and capital against labour and their hostility against right to organize and collective bargaining.

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, China, 16 workers had attempted suicide by jumping off the top of tall dormitory buildings, resulting in 12 deaths and four crippling injuries, and at least 20 other workers were restrained before committing suicide. All workers were between 18 and 24 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 brain, leukemia, and lymphoma cancers -– 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 hospitalized 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….In recent months, 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. Because of the system of labor control discussed above, even reporting illness is difficult. Of all the illnesses reported, cancers involving the lymphatic system (e.g. leukemia, lymphoma) are the most common. There are many cases, as well, of brain tumors 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 denied these claims. (Han et al 2013)

Overexploited Garment Workers Mass Fainting at Shop Floors in Cambodia

From 2010 onward there emerged a wave of incidents of mass fainting in Cambodia. In one after the other incidences hundreds of women workers have fallen to the floor of their factories in a dizzy spell called Duol Sonlap in Khmer language. In 2011 alone, fainting of more than 2,300 workers in five Cambodian factories was reported. In past two years fainting of more than 4000 was reported in various incidences. According to trade unions the incidences are under reported and the real picture is actually more horrifying. Various reports cited various factors for these incidences, including poor nutrition, excessive overtime, high heat levels, poor ventilation, noxious chemicals, low blood sugar, and mass psychogenic illness etc. However, the core factor behind these incidences is low wages. Only because of low wages, the workers are compelled to accept extremely excessive working hours. Most the workers support their families at back home and if they do not work overtime, they may not be able save enough to send money back home and their families may starve. It is in these situations, they are compelled to live in miserable conditions, remain malnourished in order to insure survival of their parents and their children. It is in these conditions, paying low wages emerges as such criminal act that not only compel the workers to remain malnourished but also to a significant section of rural people, the families of workers, who also depend on these wages. (Various reports)

Factory Fires Killing Thousands of Workers

"In Pakistan, on 11th September 2012 a major fire accident broke out in a textile factory named Ali Enterprises located in western part of Karachi, when 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 workers died in this fire accident. Soon, same day, another fire accident was reported in probably an illegal shoemaking factory located on Band Road in Gulshan-i-Ravi in Lahore. In this case sparks from a faulty electricity generator flew into chemicals and the whole factory was in flames taking the life of more than 25 workers. In both the accidents, in total 315 people died and 250 were seriously injured. In Bangladesh, on 24th November, 2012 a major fire accident took place in Tajreen Fashion Limited, a sister concern of Tuba Group at Nischintapur, Ashulia, Saver, Dhaka. More than 111 workers died and around 300 were injured in this incident. Again on 24th April 2013, a devastating fire broke out and a whole eight storied building Rana Plaza containing several clothing factories, a bank and shops completely collapsed. Rana Plaza is located in Savar, a sub-district in the Greater Dhaka Area. Total 1,127 people died and 2,500 were injured in this incident. Two weeks later, On May 8, 2013, another fire broke out at Tung Hai Sweater Ltd located in Mirpur area in Dhaka. Eight workers were killed in this incident. It is to be noted that these are not isolated incidents that happened only in 2012-13. Almost every year hundreds of workers die in fire accidents in Pakistan, Bangladesh and India. In Pakistan, fire incidents kill 16,500 people and leave 164,000 injured or disabled 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 also there were a number of fire accidents including a major fire accident in Ha-Meem group's ports wear factory in Chittagong in which 29 workers died. Similar is the situation in India also." (Pratap 2013)

The deadly fire at a poultry slaughterhouse in Jilin in 2013 was the 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 fire more than 122 workers lost their lives and several others were injured. It is worth mentioning that this is not an isolated case, several factory fires are reported every year, but the death toll in this factory fire was alarming. There are cases of fire accidents in coal mine industry, for example, where more than 100 miners died in an explosion. In 2011, China recorded more than 125,400 fire accidents which killed more than 1,100 people, and it caused $335m (£219m) in economic losses. Fires on construction sites rose up by 5.7% from 2010 to 2011. Number of fire accidents in agricultural factories increased by 8.9% from 2010 to 2011. (Hatton 2013& AMRC 2013)

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Chapter 4

Labour Movement in Asia: Major Flash Points

The financialization, international capital mobility, global supply chains as an integral part of new international division of labour had an all-round negative impact on the 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 the global labour. Primarily to increase profitability by exploiting cheap labour, the transnational corporations have been increasingly shifting/contracting out their labour intensive operations to developing countries with an inbuilt logic of becoming footloose and able to shift any time wherever better profitable investment opportunities arise. At the same time, the transnational corporations exercise their effective control on global economy and capture major share of profits generated in the value chain by their effective control on R&D and most crucial capital intensive operations, establishing monopoly on markets and finances.

The impact of the above factors was disastrous to the working class movement 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 drastic changes in the labour relations dynamics and workplace environment, the trade unions themselves were increasingly thrown out of the workplaces in terms of any effective collective bargaining. There was an overall decline in the strength and collective bargaining power of trade unions. This crisis was most powerfully reflected in the fact that traditional strategies of organizing and collective bargaining were made ineffective in the new labour relations dynamics and new workplace environments. In the second phase the working class movements gradually learnt to work in the new environment and started effectively reclaiming their Space with new and innovative strategies of organizing and collective bargaining. The similar impacts were also felt in developed countries. Due to increasingly shifting production operations to from developed to developing countries the rising unemployment is taking a serious shape and getting reflected in reemergence of informal sectors. The strongest and most radical trade unions that were mainly based in labour intensive industries were by and large forced to disappear after with increasing shift of production operations to low wage locations in developing countries. In the meantime, vulnerability of workers increasing many fold with informalisation of labour and fear of losing jobs. In overall terms, the above dynamics drastically reduced the collective bargaining power of labour that is reflected in cut in social security benefits and downgrading of social security structures in most of 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 now largely transformed in to an agent of capital and now its major role was to control the people and facilitate the 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 organizing and collective bargaining strategies of working class based on pre-globalization phase of industrial relations system 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, no ensured livelihoods etc. 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 collectivity that helped in a great way in developing strong working class movements. However, there are some important positive factors also of the new phase, i.e., 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 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 it took place between later half of 1980s to first half of 1990s. It reflects on the fact that the driving forces for this change operated globally. However, with the above commonality of factors and impacts, there are also country/region specificities in terms of impacts and also the nature of the emergence of new working class movements depending on specific nature of economies, political systems and industrial relations regime that existed in various countries. It is interesting to note that this period coincided with upsurge in democratic movements in Korea, Philippines, Indonesia, Thailand and Nepal etc. Also it was the same period when China, Vietnam, Mongolia and Cambodia decisively changed their path of development and started moving on the capitalist road.

Considering these factors we may discuss the whole dynamics of changing labour relations and emergence of a new kind of workers resistance in Asian countries by dividing them in four major groups: Underdeveloped economies in South East Asia, Underdeveloped economies in South Asia, erstwhile socialist countries, and comparatively advanced capitalist economies in Asia. This grouping is in accordance with the workforce structure and key economic indicators as provided in table --, and also takes account some broader political factors.

1. Underdeveloped Economies of South East Asia

These South East Asian countries have a long colonial and neo-colonial history combined with authoritarian regimes and also a long tradition of democratic struggles. These economies are highly underdeveloped with a large reserve army of labour, majority of population still surviving on agriculture and other low paid self employed occupations in non agriculture. Informal workers form a very high proportion of the workforce. These situations brought decisive negative impacts on trade union density and collective bargaining power of labour. The continuity of authoritarian regimes in Philippines, Thailand and Indonesia and prolonged civil wars in Cambodia and thereby suspension of democratic rights for long periods, further aggravated the problems and reduced the collective bargaining power of labour. Authoritarian governments exercised tight control on trade union activities with the aim to maintain industrial 'peace' and control 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 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 mean time, the Asian economic crisis in late 1990s facilitated a consensus among various political forces on economic policies based on export led growth, and also facilitated a compromise among them on anti-labour policies, in the name of building 'competitive advantage' of their economies. Therefore, the focus on maintaining industrial peace also by and large remained and various legal and institutional devices were designed to dampen the trade union activities, limiting the scope of collective bargaining and controlling the industrial conflicts. The major impact of these anti-labour policies came in the form of rampant informalization of labour, initially by violating the labour laws, and later justified and supported by new labour legislations. This phenomenon was further accelerated in aftermath of the financial crisis, and led to a situation when non-regular form of employment became a norm for huge majority of workforce and regular form of employment became an exception limited to a very small proportion of workforce. These factors had disastrous impact in terms of eroding the traditional basis of trade unions and their organizing/collective bargaining strategies. On the other hand, it also facilitated a transformation (in varying degrees) of the trade union movement and emergence of new type of labour movement reclaiming the space for collective bargaining.

Table: Workforce structure and Key economic indicators in Asian Countries

1	2	3	4	5	6	7	8	9	10		11
Countries	% of workforce in agriculture	Self employed as % of Workforce	Self employ as % of non agri. employment	Informal employment as % of non agri. employment	GDP per capita (current USD)	GDP growth Rates (2012)	Population living below 2USD	Gini Coefficient	Trade union Density A- % of total worker; B) % wage workers)		Min Wages annual PPP USD (2010)
									A	B	
Nepal	93.1	66.5	59****		690	4.9	77.6	47.2			151
Bangladesh	62.1	63.6	75		752	6.2	81.3	33.2			58
Pakistan	44.7	35.3	43		1257	4.0	60.3	31.2	15.7		229
India	59.8	81.9^	37	83	1489	3.2	75.6	32.5		2.4	121
Sri-Lanka	32.6	38.7	19		2 923	6.4	39.7	40.2	6.0		93
Cambodia	68.7	41.2	49		944	7.3	68.2	41.7			
Philippines	35.2	38.1	34	72	2587	6.8	45.0	44.0	3.2	1.7	379
Indonesia	39.7	50.4	51	78	3557	6.2	53.8	34.5			148
Thailand	41.5	41.6	36	51	5480	6.5	11.5	42.5	2.1	1.4	295
Vietnam	65.3	41.7		82**	1755	5.2	48.4	37.8			85
China	39.6 (33.6)*	10.9*	15	32.6	6091	7.8	36.3	35.4			173
Malaysia	13.5	25.2	17		10432	5.6	7.8	37.9	10.3	7.6	
South Korea	7.2	30.6	30		22590	2	2	31.2	10	6.7	797
Singapore	1.1	18.7	13		51709	1.3	2.0	42.5	31.7	33.3	618
Hong Kong	0.2	15.4	10		36796	1.5			21.5		
Japan	4.2	11.9^	11.2****	12***	46720	1.9	2	32.1	18	15.5	944

Source: 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: 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), *** Blanchflowerr (2000), **** OECD Data on informality and self-employment.

In Philippines export oriented industrialization program started long back 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 etc. To exercise an effective control on trade union activities, fragmented and decentralized unions were restructured in to industrial union lines and all trade unions were required to be 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 restoration of democracy and the ascendancy of Corazon Aquino in 1986, most restrictive aspects of the Marcos regime were lifted, the monopoly status of Trade Union Congress of the Philippines was by and large ended, and a new social and political space was created for growth and expansion of 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 if the trade union rights and right to strike were restored, several restrictions were put to minimize the ability of unions to strike. (Kuruvilla and Erickson 2002)

In Indonesia also, the trade union rights and 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 authoritarian Suharto regime and restoration of democracy, the trade union rights and right to strike were restored and the monopoly status of FSPSI came to an end. It was the force of the working class movements linked with the broader democratic movement that compelled the new regime for ratification of ILO Convention Nos. 87 and 98. These situations created immense space for growth and expansion of trade union activities resulting in strengthening of working class movements. A large numbers 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 and of the total 23.8 million formal sector workers, i.e., about four per cent of the total workforce, and about 14 percent of the formal sector workforce. (Yoon 2009)

Thailand also moved towards democratization during the same period, and the overall impact was reflected in opening of a new political and social space for the growth and expansion of trade unions (Yoon 2009). The democratization is still in process and the democratic movements have also been playing a great role in growth and expansion of working class movements. However, in the name of building competitive advantage for export led economic growth, maintaining industrial peace, and also to control the democratic movements, there are many restrictions on the trade unions. It is interesting to note that in Thailand the trade union can be formed only in the enterprises with 10 or more employees and collective bargaining can take place only in enterprises with 20 or more employees, and on the other hand, the majority of wage earners in Thailand are in enterprises with less than 10 employees.[11] Therefore a large proportion of workers are excluded from the coverage of right to trade union and collective bargaining.

The Cambodia is generally put under 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 &87. Cambodia's 1997 Labour Code guarantees freedom of association,

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

the right to bargain collectively, and the right to strike. All workers with employer employee relationship are covered by labour laws. But only about 10% of the active population has formal employer-employee relationship. Moreover, informal workers and civil servants are excluded from labour laws. It is also interesting to note that in Cambodia, the women form a significant proportion of workforce and also constitute about half of the members of trade unions. In Cambodia, the garment sector is the major industry in terms of export earnings and it also accounts for the majority of the formal workforce outside the public sector. It is worth mentioning that the trade union movement in this sector achieved a remarkable growth. The trade union density in garment sector has already reached at 40 to 45 per cent. We also observe a great expansion of trade union activities in hotel and construction sectors. (Nuon and Serrano 2010 and Yoon 2009)

The industrial relations systems in all these countries are more focused at enterprise level collective bargaining. On the other hand, trade unions' capacity for enterprise level was weakened due to: a) after 1990, there were large scale retrenchments, downsizing of industries, b) greater degree of informalization of workforce in formal sector (i.e., engaging larger proportion of workers as non-regular workers mostly through agencies/contractors), c) Informalisation by way of transferring the jobs from formal to informal sectors in a typical value chain arrangements (in-house subcontracting, outsourcing to smaller units and home based workers). Moreover, it also created a situation where in the collective bargaining coverage is generally lower than the union density, as we observe in almost all these countries. Even if trade unions are able to sign significant numbers of collective bargaining contracts in various units in particular sectors, a huge proportion of workers in the same sectors are not covered and not benefitted by it. This situation also gets reflected in worst kind of fragmentation and disunity among trade unions/federations particularly in Philippine, Indonesia and Cambodia. Other problems that are responsible for low trade union density and low collective bargaining coverage include: a) difficult conditions for trade union registration, for example, trade unions need to prove the support of 50 percent workforce and regularly inform about 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 last one year (Philippines & Cambodia), more than 25 years of age and no criminal record (Cambodia), government's discretion to refuse to grant most representative status to a union in case the Labour Advisory Committee, employer or concerned third parties object to the union's petition (Cambodia), trade unions need to provide names of all members for getting recognition (Philippines), workers automatically loose union membership after dismissal from job (Thailand), trade unions may be dissolved if membership drops below 25% of the eligible workforce (Thailand), only one trade union can be formed at each enterprise (Thailand) etc.; and b) Difficult conditions for getting recognized as collective bargaining agent, for example, in Philippines process of certification election for bargaining agent permits employers to wage an antiunion campaign; in Indonesia, and Cambodia the unions need to prove representation of more than 50 percent workers to get recognized as bargaining agent. Moreover, non-regular workers (and migrant workers), who many times form the majority, have generally 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 union leaders and workers. The governments also undermine worker rights by failing to enforce labour laws, and by allowing self certification under various labour laws. Moreover, it is the government's discretion 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, legal restrictions in right to organize and collective bargaining, and repression of trade union activists and workers, in the recent decades the trade union activities grew and expanded in a big way that is reflected in increasing number of industrial disputes. Labour movement also expanded its base among the informal workers in a big way, mainly by way of 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 organized in separate unions/associations and made part of broader coalitions in the form of industry federations. The force of the labour movement compelled the governments to take steps to pacify the labour movements by way of 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, Labour Advisory Committee (LAC) was constituted to periodically revise the minimum wages, 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 accidental risk at work. However, large majority of workers, particularly those in informal sectors and in sectors with high level of informalization (e.g. construction sector), are still not covered by this law (Nuon and Serrano 2010). In Philippines, 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 like constituting National Tripartite LKS, legislation on social security and a system for periodical revision of minimum wages. Similarly in Thailand also, relevant initiatives were taken by the state to extend various social security benefits to unprotected workers.

Flash Points of Labour Movement

The labour movement is continuously advancing in all south east Asian countries, but hot spots of the labour movement are particularly emerging in Indonesia and Cambodia. In Cambodia the hot spot is mainly the garment industry, and in Indonesia, the formal sector in general is emerging as hot spot of labour movement but more centered in electronics industry.

Cambodia

As we already discussed that the garment industry in Cambodia is single most important sector in terms of generating major share of Manufacturing GDP, exports, as well as employment. The labour movement is also mainly focused in the garment sector and the union density in this sector is already 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 the garment workers is continuously rising. This is reflected in the data on strikes. Number of strikes and man days lost continuously increased from 2003 onwards. In 2003, there were 55 strikes and 130284 man days were lost. In 2012 and 2013, the number of strikes reached at 121 and 131 respectively, with 542827 and 825646 man days lost respectively. 2012 particularly marks a beginning of large scale strikes and very high rate of participation of workers in the strikes. [12]

In 2013 the labour movement took another leap and also reflected a radicalization of the labour movement, which became particularly visible in the 2014 strike[13]. In almost whole of December 2013, there were series of rallies of workers for demand of revision of minimum wages and for raising it to 165 USD. On 23 December, 2013 the government declared to raise the minimum wages from existing 75/80 USD per month (probationary/non-probationary) workers to 100 USD; as

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

[13] 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

against the demand of workers to raise in to 165 USD. On 24th, almost all garment, footwear and textile workers' union federations, including 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 Union (CATU), Free Trade Union of Workers of Kingdom of Cambodia (FTUWKC), Worker Friendship Union Federation (WFUF), and Independent Youth Union Confederation (IDYTU) declared strike in protest. Together, the federations comprise 386 plant-level unions and represent 249,700 workers in textile, garment and footwear industries. About 127 factory workers went on strike. The active participation of workers and unity among unions showed the magnitude of the problem. Violent clash began when the government tried to disallow workers to march 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 IDEA (Independent Democracy of Informal Economy Association) and Mr. Theng Savoeun, Coordinator of CCFC (Coalition of Cambodian Farmer Communities). Angered workers began to burn tires and set up roadblocks against armed forces. In the morning of 3rd January, 2014, armed forces finally started shooting live ammunition directly to workers, killing four workers and severely wounding many. A series of various forms of protests were organized in Cambodia and solidarity actions were organized in many countries for demand of unconditional release of all arrested workers and rights defenders. In the mid January, an international trade union ITUC took initiative to resolve the dispute but came out with a disappointment: "Unfortunately, our sincere efforts to build bridges with the garment manufacturers association were met with outright hostility and with a complete disregard to the sustainability of the 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."[14] On January 16, 2014, European Parliament passed a resolution calling on Cambodian government to conduct an independent, internationally led investigation of the election 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 deaths and injuries, and also urged that the 23 arrested during the strike protests be freed and that the government's ban on freedom of assembly be immediately revoked.[15] On 15 January, 2014, U.S. House of Representatives had also passed a draft spending bill on Wednesday that would cut some aid to Cambodia unless similar demands regarding the flawed election are met.[16] It is worth mentioning that on the one hand, the European Union is Cambodia's single largest aid donor, and on the other hand, about 50 percent of all shoes and garments produced in Cambodia are exported to the E.U. On 11th February, 2014, 2 arrested workers were released on bail, while the bail applications of 21 arrested workers and rights defenders were rejected by the Phnom Penh Appeal Court. The struggle to release the workers still continues.

Probably, this struggle of Cambodian garment workers also marks a beginning of the emergence of a new kind of international solidarity actions challenging the global value chain. Going beyond the petitioning, and going beyond 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 from where the global brands are based and have invested hugely in garment sector of Cambodia, including US, Germany, UK, Turkey and South Korea. Most important were

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

15 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/

16 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/

demonstrations in Asian countries, particularly the east and south east Asian countries including Hong Kong, Indonesia, Thailand, Philippine, and Malaysia. Among south Asian countries demonstrations were organised in Bangladesh and Sri Lanka. It is worth mentioning that in almost all solidarity actions/demonstrations in Asian countries, various trade unions and workers organisations came together. On 10 January 2014, International Day of Action in Solidarity with Garment Workers in Cambodia was organised and demonstrations were organised at the same day in many Asian countries.

Indonesia

Indonesia seems to be entering in new period of awakening and emerging as one of the most important flash points of the labour movement in Asia. The situations remind the Indonesian labour movement's period of glory (late 1950s to early 1960s). The Indonesian labour movement faced a disastrous defeat in 1965 when it was almost completely destroyed both physically and ideologically. However, since the mid 1980s, it started taking a new birth, when manufacturing industries started expanding in a big way with an obvious export oriented focus. This led to emergence of a strong base of working class movement in industries, emergence of new trade unions and other working class organizations, and a greater role of the industrial labour movement. The power of the working class increased significantly and it was reflected in increase in 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. Reformasi Movement of 1998 further opened the democratic space for labour movement. Probably, 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 Suharto period, and finally SPSI split and a more progressive came out from it to form a separate trade union. (Sprague 2012)

After restoration of trade union rights and end of the age of monopoly of SPSI, the labour movement in Indonesia progressed in leaps. A wave of strikes emerged in 2011 and it continued across 2012. In the mean time a coalition of trade unions MPBI (Council of Indonesians Workers and Labourers) was formed that united 5 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 national level and gradually emerging as a political force. The strike was more a celebration of victory than a protest. And it was really a victory in itself, the working class was able to organize first general strike after 50 years. Over 2 million workers participated in this strike. The major demands included, 50% increase in minimum wage, and abolition of outsourcing and anti-labour laws.

The power of working class emerged again on the streets of Indonesia in the 2013 general strike. Around 3 million workers in 20 provinces and 150 regencies continued their nationwide strike for two days and paralyzed activities in around 40 industrial areas in Java, Sumatra, Sulawesi and Kalimantan. The demands were by and large the same as in 2012 general strike, i.e., 50 percent hike in minimum wages and an end to job outsourcing and contractual system. They also demanded to immediately pass the bill on housemaids and revise the newly enacted law on mass organizations that, according to them, has been devised to silence labor unions. The power working class unity forced the administration to announce 11 percent increase in the province's minimum wage from Rp 2.2 million to Rp 2.4 million, on last day of strike.[17]

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 a national meeting of Indonesian labor movement in September more than 100 trade union representatives from 18 provinces participated. The meeting decided the priorities of Indonesian labour movement to work together on issues: a) Rejection of the low wage politics by using the strategy of struggling for 50 % wage raise, and b) Elimination of outsourcing system. The desisin for general strike was also taken by this committee.[18]

One more interesting aspect of Indonesian labour movement needs a mention here. In the formal sectors, similar to India, violation of trade union rights and victimization/repression against the workers and trade union activists for asserting their trade union rights has emerged as a major problem here also. With the rising power of labour movement the Indonesian trade unions have adopted a unique strategy to fight against this problem-the factory occupation or factory Raids. In these factory occupation/raids, the trade unions in the region collectively do a mass mobilization of their members and other workers and block the gate of the target factory victimizing the workers and union activists and not allowing trade union activities. The organize demonstration in front of the factory gate and demand to comply with labour rights. For example, Samsung in Indonesia did not allow the union activities in its factory. Around 200 workers of Samsung Electronics formed a trade union in 2012, but all the leaders and members of the union were soon dismissed and the union was literally removed from the factory. Moreover, in many factories in supply chain of Samsung where trade unions were formed successfully, they were also facing various kinds of repression. There were attempts to antagonize local people against union activists and some union leaders were also attacked by goons. The unions suspected that Samsung was also behind all such kind of union busting measures. Therefore in November 2012, the trade unions in the region along with those in the supply chain of Samsung decided for a occupation/raid of Samsung for demanding to respect the labour rights and stop union busting. Around 10000 workers gathered at the union secretariat to march towards Samsung. However, getting the news, hundreds of anti-riot police with trucks, water cannon cars, tear gas launchers and guns reached there and stopped the workers. In fact, the police had been on guard in that area around the Samsung plant for a few days before this action. The workers were finally able to break the police circle, they chased a group of thugs who were at the closest position. However, the factory raid that day could not reach Samsung factory. In December, the union again mobilized the workers and made a strong demonstration in front of the South Korean Embassy, demanding that the Korean Embassy take necessary action to punish

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

[18] 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/

Korean companies that violate national laws, and particularly direct Samsung 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 still continues on this issue, and unions are planning for next raid at Samsung. (Mufakhir 2013)

2. Under Developed Economies of South Asia

South Asian economies in general are highly underdeveloped and a majority of population still survives on agriculture and in low paid self employed occupations in informal sectors. In comparison to above discussed south east Asian countries (except Cambodia), the situations are even worse in south Asian countries (except Sri Lanka). In Nepal 80 percent, Bangladesh 63 percent, India 60 percent, Pakistan 42 percent and in Sri Lanka 38 percent of the workforce still depends on agriculture for its livelihood. Moreover, In Bangladesh 75 percent, Pakistan 43 percent and in India 37 percent non agriculture workforce is engaged in self employed occupations. In Sri Lanka the situation is comparatively better and it is also reflected in its better trade union density and better per capita income that are 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 labour laws did not change much. The economic crisis of 1970s affected these countries in a big way and it was reflected in two common phenomena: a) stagnation in economic growth and a pressure for opening the economy, b) wide ranging unrest of the working class both in urban as well as rural areas. In the later periods, the economies were gradually opened and they adopted the path of export oriented development based on FDI. The Srilanka was the first to open its economy and move on the path of free trade policies in late 1970s. The economies of other South Asian countries were decisively opened in late 1980s and early 1990s. We observe an upsurge in the labour movement in almost all south Asian countries against privatization of public sectors and liberalization of labour laws. It was the force of labour movement that stopped the state to liberalize the labour laws in any significant way; however the privatization drive continued. It is also worth mentioning that during the same period the democratic movement in Nepal achieved a decisive success. The force of democratic movement is compelling the political forces in Nepal to frame more pro-people and pro-labour policies targeted for more equitable development. This dynamics was also one of the factors behind the long political deadlock in Nepal.

In the period after 1990s (started little earlier in Sri Lanka), in all these south Asian countries the industrial relations regimes were restructured with the sole motive of building their comparative advantage in terms of cheaper and more flexible labour and peaceful industrial relations environment. It is interesting to note that 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 by paralyzing the labour law enforcement machinery and allowing self certifications, b) judicial pronouncements changing the meaning of various provisions in labour laws and denying rights to workers (for example the case of large scale engagement of informal workers in formal sector in

India), 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 legislations to ban the strikes.

This dynamics is more forcefully reflected in India than in any other south Asian countries. Plethora of inconsistent labour laws in India makes the 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 & 98, while India has not ratified conventions, c-87 & 98. Trade Union Act in India provides rights to trade union 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 Rs 10,000 pm or executing managerial functions and persons subject to Army Act, Air Force and Navy Act or those in police service or officer or employee of a prison. Trade union act was amended in 2002 and the number of members required for registration of union was increased from seven to 100 or 10 percent (in any case not less than 7) of workforce. In the meantime hundreds of special economic zones (consisting of tens of thousands of firms) are established and as we discussed, even if labour laws apply to these zones, they are out of the ambit of state labour departments and therefore in practice no meaning of labour laws in zones unless there is a union. The unionization is highly difficult in the zones, and outsiders including trade union leaders of the region are not allowed to enter the zones without prier permission from zone authorities. There is no central law on recognition of trade unions as bargaining agent. Only few states have laid down procedures for determining the bargaining agent on the basis of a referendum. Right to strike is continuously under attack. In new interpretation by courts, the government employees and teachers have no right to strike. Also in new court interpretations the workers do not have 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 are 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 right to trade union and collective bargaining. Moreover, even if the EPZ Workers Associations and Industrial Relations Act 2004 provides the right to trade union and collective bargaining to EPZ workers, its various provisions make it virtually meaningless, for example, prohibiting trade unions in new units in EPZs until three months after it starts production, not allowing more than one workers' association per industrial unit, requirement of a minimum of 30 per cent of eligible workers as members for formation of association, requirement of verification of membership and conduct of referendum by Bangladesh Export Processing Zone Authority (BEPZA). In referendum only if more than 50 per cent of the eligible workers cast their vote and more than 50 percent of the votes are in favour, then only workers' association can be legally formed. If the association did not get this winning vote then for one year any unionization is prevented in that unit. With this process it is highly difficult to form any enterprise level trade union in given conditions of Bangladesh. Moreover, the association can be deregistered at the request of 30 per cent of the workers even if they are not members of the association. It also puts severe restrictions on strike in EPZs. Associations are not allowed to receive fund from any outside source without approval of BEPZA and also prohibits a federation from affiliating in any manner with federations in other EPZs and beyond EPZs. (Faruque 2009)

In Pakistan also there were attempts to integrate and make uniformity in labour laws and extension of its coverage to informal economy workers. Under the Industrial Relations Act 2008, the right to 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 new law extends the right to trade union and collective bargaining to those who were earlier excluded including 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 provide a legal space for organizing all workers in a unit under one trade union, because it also provided for only one CBA for whole organization. The requirement of membership of workers for the registration of a third trade union in an establishment is increased from one fifth to one fourth. Moreover, the registration of a trade union can be cancelled on various grounds including if it had not been a contestant for a CBA or did not apply for determination of a CBA or secured less than 15 per cent of the polled votes during the referendum for the determination of a CBA. It is also provided that those who were convicted for criminal offences 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 referendum and the trade union that secures more than one-third eligible votes gets the status of CBA. (Ghayur 2009)

In Sri Lanka, there is more uniformity and consistency in labour laws than in other south Asian countries. The Trade Unions Ordinance of Sri Lanka is most progressive among South Asian countries, covers both the public and private Sectors, and only seven members are required 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 40 per cent membership. The amendment also introduced a list of unfair labour practices by employers. The labour laws are applicable to special economic zones also, however, formation of a trade union and exercising collective bargaining is highly difficult in the zones. Only if a union represents 40 per cent of the workforce then only it can represent the workers in collective bargaining. If union does not meet this minimum requirement, then the employee council can become the collective bargaining agent, if authorized by at least 40 per cent of the workforce. This put unions in competition with employee councils for bargaining rights. A tripartite social dialogue was initiated in 2000 largely to institutionalize the flexible labour relations by way of labour market reforms.(Amerasinghe 2009)

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

Before globalization and liberalization, in South Asia a mixed type of collective bargaining were in practice. In public sectors (all South Asian countries), and certain economic sectors like plantations (Sri Lanka and India), textiles (India and Pakistan), Coal, Beedi & Cigar (India) etc the sectoral collective bargaining was predominant, while in other sectors the 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 wage boards etc ensured some aspects of collective bargaining in majority of sectors. Restructuring of the industries and changes in employment practices and new industrial relations systems to a large extent reversed these trends and increased pressures for decentralized bargaining. In India, and also in most of other south Asian countries performance based wages were introduced in many industries including the public sector units, and therefore collective bargaining was increasing based on the productivity of workers and paying capacity of employers, rather than based on necessities to ensure a proper working and living standards and seniority of workers. Periodic revision of wages and working conditions by government in public sectors affected the private sectors also in terms of providing a justification for new collective bargaining agreements, but recently, for example Indian government is attempting to switch to a 10-year wage settlements in public sector units instead of the present 5-year duration and decentralized bargaining based on productivity, largely in pressure of industrial lobby. (Bhattacherjee 1999)

With all the limitations created by above discussed factors trade union activities grew and expanded in a big way and so also the industrial disputes. It is also interesting to note that in recent years the trade union movement started attempting to organize the informal workers also in a big way. It is reflected in the emergence of significant numbers of informal sector workers' organizations/federations in various informal sectors. It is also well reflected, for example in India, in rising proportion of informal sector workers in membership of central trade unions. Moreover, trade unions are increasingly realizing the importance of sector based collective bargaining and in many sectors it is reemerging as a dominant strategy, particularly in garment and textile industry, and also in plantations. Lastly it is worth mentioning that politicization or political linkages of trade unions have both positive and negative aspects in South Asia. Negative aspect is reflected in 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% of all parliamentary constituencies.

Flash Points of the Movement

Bangladesh

As we discussed earlier that garment industry in Bangladesh is single most important sector in terms of contributing to the major share of manufacturing GDP, exports and also the employment. Therefore the labour movement in Bangladesh is also particularly centered in Garment industry. However, unlike the Cambodia, the trade union density in Bangladesh is extremely low. In the ready-made garments (RMG) sector there are only 63,000 unionized workers out of total about 3.5 million workers. Moreover, in about a total of 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 or 2010, and just one in 2011. (ITUC 2012)

The wages are very low and not sufficient for survival and working conditions are one of the worse, for example, according to those incidents reported in news papers, during 3 months (from

December 2011 to February 2012) 7 garment workers were killed and 119 workers got injured in workplace accidents, 3 women workers were raped and 5 factories closed down due to labour unrest ITUC 2012). The conditions, rather than improving, are continuously deteriorating. According to Bangladesh's Fire Service and Civil Defence Department, 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).

It is in this dynamics the global brands are able to capture the major share of revenues generated at the lower tier of the value chains that are located in Bangladesh. According to a study conducted by Bangladesh Institute of Development Studies, value added by workers is about 31 for every 100, and out of this 31, only 7 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 668 dollar by producing only 56 pieces more than his Bangladeshi counterparts. (Pratap 2011)

It is in this background, the labour movement in Bangladesh garment industry emerged with a very different dynamics. Because forming shop floor unions has become highly difficult, the organizing strategies are focused on directly organizing the workers under the banner of federations. This is reflected in the fact that huge majority of members of federations are individual members, rather than shop floor union members. With no scope of collective bargaining at shop floor level, the dominant practice emerges as sectoral bargaining and political struggles in the form of general strike, road blockade etc to compel the government to intervene and take initiatives to resolve the problems. (Pratap 2011)

The first phase of the major struggle for minimum wages emerged in 2005-2006. A series of demonstrations were organized and thousands of workers participated. It was followed by repressions and leading to radicalization of the movement. Finally a minimum wage board was constituted and the minimum wages was fixed at TK1662.50 (US Dollar 25) per month as against the workers' demand for TK 3000. Second phase was from 2008 to its culmination in later half of 2010. There were a series of strikes. It is worth mentioning that due to virtually a price war that started in 2008-09 among the main competing 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 minimum wages and the wages were not paid in time, and on the other hand, the workloads were increased. It was in these situation, a wide spread 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. Only after that the minimum wages were increased to TK 3000, as against the demands of workers for TK 5,000. Even then the employers were not ready to pay this amount and demanded to fix it at TK2500. It is in this background that demonstration in December 2010 took a violent turn again. Four workers were shot dead by the police during demonstrations in port city of Chittagong. In the meantime, on 14th December, there was a major fire accident in a sports wear factory of Ha-Meem group near Dhaka which killed about 30 workers. Only after these incidences, fearing even more wide spread labour unrest, the factory owners accepted the new wage. (Pratap 2011)

It has become the trend in Bangladesh that minimum wages are not revised unless the workers compelled for that. Every year, there are large scale demonstrations and strikes for the same demands. The wages were not revised after 2010, and therefore from mid 2012 to 2013 there were series of demonstrations and strikes. More than 50 thousand participated in strikes, road blockade, and demonstrations, particularly Narayanganj, and Ashulia, the surrounding regions of Dhaka. There were several vilolent incidences and clashes with police. During the same period, two major fire accidents took place killing more than one thousand workers. Finally in November 2013 the minimum wages were increased to 5,300 taka ($68) as against the demands of workers for 8000 taka.[19]

It is interesting to note that even after all the incidences, and even after the unions are provided a central role in Bangladeshi safety accord signed by more than 80 Western retailers, the employers are fiercely opposing attempts of unionizing the workers in the factories and resorting to attacks on workers engaged in unionizing efforts.[20]

Pakistan

In Pakistan, textile and apparel industry is most important in terms of generating major share of manufacturing GDP, exports and also the employment, and so the labour movement is also more centered in the sector.

The most important centre of the Pakistan's textile industry is Faisalabad, the adjoining to the district Jhang that is known as hub of hardline Islamist movements. Faisalabad is Pakistan's third largest city and is often called the Manchester of Pakistan with about 200,000 power looms out of total about 300,000 power looms in Pakistan (Ayyaz Mallick 2013). The nature of workforce and employment structure in power looms is unique in terms of smaller number of workers per unit, mostly with casual employment relationship and majority of workers living in surrounding areas in some sort of community relationship. These factors, along with other political factors, make it highly difficult for formation of shop floor unions; however, they provide immense scope for organizing the workers in common platforms, i.e., federations. Hence, here also, as in case of Bangladesh, more workers are directly organized in federations than in shop floor unions, and there is more focus on industry wide collective bargaining than at shop floor level. However, there is a big difference from Bangladesh. In Pakistan, there is no such competitive multiplicity of federations as in Bangladesh. The textile workers movement in Faisalabad is more or less united under the banner of Labour

[19] Resistance is high; garment workers force shutdown in 350 factories; https://libcom.org/news/resistance-high-garment-workers-force shutdown-350-garment-factories-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 Cloths Campaign, Bangladesh Minimum Wage; https://www.cleanclothes.org/livingwage/bangladesh-minimum-wage

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

Quomi Movement (LQM). In response to the increasing repression of power loom workers by policy and employers, the LQM was formed in 2003, and after that textile workers movement took a leap, developed a strong base in Faisalabad and also expanded in surrounding districts (Mallick 2013).

In 2008, there was a large scale power loom workers strike in Faisalabad that lasted for four days. More than 50000 workers were on strike and thousand others join them in solidarity. The strike started when the power loom owners opened fire on a peaceful workers' demonstration. 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 the strike for an indefinite period. Lastly the government intervened and ensured the implementation of the agreement. (Bhatti 2008)

The historic strike of Faisalabad took place in 2010. Probably after 1970s it was for the first time in Pakistan that the power of working class emerged on the streets with all its strength, courage and lively dynamics. The strike started on 20th July and lasted for 9 days. Thousands of workers rallied throughout the strike, despite the Punjab government banning public gatherings on July 19. As large as 250000 power loom workers in Faisalabad were striking together and demanding a hike in minimum wages, as recommended by the Minimum wage Board. It was the period when state subsidies on gas, electricity and petroleum were withdrawn and privatization drive was at its peak, and all this resulted in sky-rocketing the prices of essential commodities. The prices of some household items 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 had also to pay at least seven percent of wages into the social security system. However, the factory owners did not implement the wage hike and moreover, the workers were also not provided the social security cards. It was in this background the LQM started mobilizing the workers for demanding the implementation of the recommended 17% wage increase. There was a sudden outburst of anger of the workers when in early July ten strongmen hired by factory owners stormed into the office of an LQM activist Mustansar Randhawa and killed him and his younger brother Naseer. The workers in Faisalabad and also in Jhang went on a general strike. In Faisalabad, 100,000 power looms were completely shut down and 250000 workers joined the strike. On the eighth day of the strike, police and goons hired by factory owners brutally attacked on a peaceful march of 20,000 workers, the clash lasted for almost 10 hours and hundreds of workers were injured. 14 workers including 6 chapter presidents of the LQM were arrested. On 10th day of 25,000 marched to District Commissioning Officer's (DCO) house, and camped there. Finally the DCO ordered the factory owners to implement 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 and they were tried by an anti-Terrorism Court, and finally 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 the capital (factory owners) and the state against labour. (Mallick 2013 and Tariq 2010)

In 2012, again approximately 10, 000 power loom workers led by LQM organized a 155-km march from the industrial city of Faisalabad to Lahore against factory owners not complying with statutory minimum wages; and were successful in compelling the government to take initiative for ensuring that factory owners increase the wages by 28 percent in line with minimum wages during relevant period. (Mahmood 2012)

India

In India, the manufacturing is more diversified, and in all the three major sectors, i.e., textile and apparel, automobiles and electronics have significant importance in terms of contributions to manufacturing GDP, exports and employment. Therefore the labour movement is also widespread across sectors. However, in the garment sector, the labour movement is one of the weakest. No such dynamics of labour movement has emerged in India, as it has emerged in Bangladesh and Pakistan. In textile industry, particularly in some centers for example in Panipat, Ludhiana and Tirpur some dynamics of labour movement similar to Faisalabad but at a lower scale has started emerging. In Panipat (Haryana) 30,000 spinning mill workers from 500 mills went on indefinite strike in 2006 demanding implementation of the minimum wages and labour laws.21 Textile mill workers in Tirupur knitwear cluster went on strike for one day in 2011 for revision of wages, and Powerloom workers of thousands of units in Coimbatoor and Tirpur went on an indefinite in 2011 demanding 100 percent rise in wages.22 In Ludhina (Pumjab) 2,500 textile workers from more than 150 textile factories went on strike demanding a 25 percent wage hike and implementation of labour laws. The strike lasted for more than a month. It is interesting to note that the factory owners in Ludhiana also spoke the same language, as we heard in Pakistan. They even 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 were several strikes in various sectors in last one decade, for example tea workers strike in more than 200 tea gardens in West Bengal in 2012 (demanding a daily wage of Rs 250 or USD 5)[23] and an interesting strike of Almond processing workers in Delhi etc. However, a more dynamic labour movement has been emerging in formal sectors, particularly in automobile industry, and also in electronics and food sector etc. In last one decade a new wave of workers struggle in the formal sector has emerged, mainly on the issue of formation and recognition of trade unions. This phase can be said to have started with Honda workers struggle (Gurgaon) in 2005. Thereafter, we observe the continuing wave of such struggles (Pratap 2010), for example, Hyundai workers struggle (Chennai) 2007- 2011, MRF workers struggle (Chennai) 2006- 2009, Graziano workers struggle (Noida) 2007-08, Pricol workers struggle (Coimbatore) 2009, Nestle workers struggle (Rudrapur, Uttarakhand) 2009, Rico Auto and Sunbeam Workers struggle (Gurgaon) 2009, Foxconn workers

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[21] 30,000 spinning mill workers on strike in Panipat; http://www.financialexpress.com/news/story/172796

[22] 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

[23] ITUC Annual Survey of Violations of Trade Union Rights 2012

struggle (Chennai) 2010, Satyam auto and Rockman industries workers struggle (Haridwar) 2012, and General Motor workers struggle (Gujarat) 2011, Pepsico India workers struggle (West Bengal), ILJIN India Electronics workers struggle (Noida) 2012, and Bajaj Auto workers struggle (Chakan & Pune) 2013 and Maruti Suzuki workers struggle continuing since 2011.

In all the above struggles, the major issue was related to the trade union rights. The workers either attempted to form the trade union, or after formation of trade union demanded recognition of their trade union and the corporate-state collusion unleashed a large scale victimization and repression against them. It is interesting to note that in most of the cases, particularly in later struggles, the issue of regularizing the contract workers was inbuilt in the process of unionization. In most of the struggles the contract and regular workers came together, with variations in levels of unity, therefore they challenged the capital's strategy of dividing contract and regular workers. Maruti-Suzuki struggle took it to culmination by a) strongly raising the demand to abolish contract labour system, and b) going for second occupation of the factory on the issue of contract workers. At no stage they were ready to compromise on this issue. Another important aspect of Maruti-Suzuki workers struggle is that it came out with new innovative strategies that increased the effectiveness of the struggle, for example, the strategy of factory occupation. They decided to remain inside the factory for day and night and stop the work, rather than moving out of the factory. Maruti-Suzuki struggle was also benefitted by a qualitatively higher level of traditional trade union solidarity in the region formed by continuous struggles of auto workers in the region. Joint Trade Union Council of auto-workers unions was fully supporting the Maruti-Suzuki workers struggle with qualitatively higher levels of solidarity actions like solidarity strikes. However, during the a struggle a qualitatively new and higher form of solidarity action emerged- simultaneous factory occupation by workers of two other units of the company- Suzuki Power train and the Suzuki Motorcycle, raising the same issues. The most important aspect of 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 linkages with various pro-labour social and political organizations including various left groups working in NCR Delhi, On the other hand, they successfully mobilized 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 collectivity between contract and regular workers, and expanded alliances in the society. In second stage of the movement after the 18th July incident, when the workers were fully crushed, and when Suzuki management and the state was mobilizing the local elites against the workers, and whole media was creating an atmosphere against them, without the above social linkages 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 still continuing. 147 workers are in jail and their bail applications were rejected by the courts. 2300 workers including 546 regular workers still stand terminated. (Pratap 2013)

In the recent decades, another important dynamics emerged in the Indian labour movement wherein almost all central trade union organizations (CTUOs) came together to form a joint trade union council and organized a series of general strikes, almost one in every 2-3 years. In the leadership of all the central trade unions 200000 workers organized a demonstration in Delhi in February 2012, and 1,000,000 workers across India courted arrest in November 2012. The major demands include: raising minimum wages to INR 10,000 per month; decrease in price of essential commodities; halt to further privatization of government services, universal social security coverage and compulsory registration of trade unions within 45 days (ITUC 2012). Strikes and demonstrations have been increasingly taking a violent shape, and so also the repression. It is also interesting to note that in India the media completely ignores the labour movement, and therefore reduces the impact of the general strikes and demonstrations. For example, the above mentioned actions of labour movement in 2012, found negligible or no space in media.

3. Erstwhile Socialist Economies

Erstwhile socialist countries have a very different dynamics of labour relations and industrial relations systems. It is interesting to note that, as we already discussed, these countries including China and Viet Nam decisively changed their path of development and started moving on the capitalist road of development in late 1980s and early 1990s. We have already discussed Cambodia and put it under the category of underdeveloped South East Asian countries, because in this country nothing remained common with erstwhile socialist countries after destruction of all industries and dismantling of old socialist enterprise and labour relations systems in a decade long civil war. In Mongolia also the Communist government collapsed in 1990 and it was replaced by a multi-party democracy. Thereafter a wholesale privatization transformed the whole economic and social dynamics in such a way that it also looks more similar to the underdeveloped South East Asian countries than to China and 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 in terms of dismantling communes and state farms, privatization of state enterprises, and dismantling of 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 centers, rising unemployment and increase in vulnerabilities of workers in overall terms.

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 first evolved and tested and then adopted in national legislations and made applicable all over the country. The labour laws that evolved in this way in China provide most innovative way of institutionalizing the 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 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 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 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 use the last category of workers illegally for a longer period as unrecorded labour, just to avoid social security contributions and severance pay. The Labour Dispute Resolution Law 2008 follows almost a similar system of lengthy procedures of mediation, arbitration, and litigation. Right to strike was removed from the constitution of China in 1987, however 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 as work stoppages (but not strike), but the law maintains a silence on right to strike (or work stoppages). Right to form trade union is restricted within the system of single trade union system which virtually translates the reality in absence of any such rights. It is in these situations the strikes in China are generally in the nature of wild cat strikes, without any process, without any visible organization and without any visible leadership. The Social Insurance Law 2010 provides employees for 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 institutionalized. Vietnam also has a similar single trade union system with similarly restricted trade union rights, and similar dispute resolution system. Although right to strike is recognized in Vietnam, it is highly restricted. These situations led to waves of wild cat strikes in Vietnam. To deal with these situations and pacify the labor, the government implemented a new legal and institutional framework for industrial relations. The Labour Law (1994) and Trade Union Law (1990) in Viet Nam laid down rules on collective bargaining, however, in practice it remained largely a formalistic and bureaucratic exercise. Freedom of association, in real terms, did 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 Labour Movement

Both the countries, China and Vietnam clearly emerge as flash points of 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 repressions, c) intermittent periods of employment and unemployment and insufficient social security, d) low wages and serious problems of occupational health and safety, and e) double tragedy of rural migrant workers. These are well reflected in waves of wild cat strikes in China and Vietnam.

China

In China, the labour movement passed through three phases. In the initial phases the strikes almost everywhere in China were work stoppages in real sense of the word-suddenly stopping the work but not leaving the workplace. The movement entered in the second phase with the beginning of 21st century. It was reflected in waves of wild cat strikes in Shenzhen in 2007-08 and also elsewhere. In most of these strikes the strategy was to come out of the workplace peacefully and block the roads, and thereby compelling the authorities to address their demands. The movement entered in the third phase with waves of strikes in 2010. In these strikes the workers rather than going to block road, stopped or attempted to stop the factory production and entered in direct negotiations with the management. The length of 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 organized increased in China and on average each day around 1,000 workers are involved in industrial action in Guangdong Province alone. Strikes/ protests are generally dispersed by the armed police and they lead to victimization of workers, in the form of dismissals, black listing, arrests, and sometimes also the political charges. However, it is worth mentioning that despite all these, there is increasing tendency, particularly in local administration to consider the strikes as normal affair, and so the level of hostility against the strikes and strikers is 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. ACFTU 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 accident 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, allegedly rumors of a pregnant migrant hawker beaten to death led to three days of rioting in south China, arrest of 19 and detention of 100 migrants. In the same period, in the nearby Chaozhou hundreds of migrant workers angered 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 strike against rising fuel prices and stagnant wages, strike of bus drivers and conductors on the issue of wages and wage setting policies, strike of 2,000 coal miners on the issue of closure of Baidong mine, protest demonstrations of hundreds of laid-off textile workers for proper severance pay, 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 during the factory's bankruptcy, leading to lay off, and offering very low severance payments, strike of 4,000 electronics workers of Simone Handbag factory in Panyu, south China against low pay, strike of 8,000 Chinese workers of a Nanjing factory owned by LG against shutting down 80 production lines, and 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 and overtime etc. (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 as the wages in main industrial zones like Shenzhen are continuously increasing, and also to see how in even vey obvious case of violation of labour rights, the police favours employers and the workers are victimized. The factory was set up by Hong Kong people. Early last year, workers in the factory heard that the factory was planning to move to some other location. This was in line with the emerging trend in Guangdong in terms of more and more factories were moving to other low wage provinces or to low wage Southeast Asian countries in order to lower down the production cost. On 7th May, 2013, some 300 workers went on strike against the plans for relocation of the factory, and to demand enough compensation for workers if such thing happens. But the employers out rightly refused to compensate the workers. Workers obstructed roads and marched to the local government office and submitted their petition on this issue. The strike continued for two weeks. Lastly, the employers offered compensation of only 400 Chinese Yuan per year of service to each worker that was lower than the standard prescribed by law. Angered by the attitude of the employer the workers moved for protest demonstrations before local authorities, but they were stopped by the police and many of them were arrested. Workers continued their strike and protest demonstrations for release of arrested workers. At the end of 2013, a workers leader called Wu Guijun was still in prison, charged for committing 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 attracted international attention, and a strong demand was raised with the Chinese government to release Wu. (Samuel li, AMRC)[24]

Viet Nam

In Vietnam, there were many waves of wild cat strikes since the adoption of the Labour Code in 1995. The difference in China and Vietnam seems in the fact that in Vietnam the trade unions at higher organizational level tend to display stronger support for striking workers, and the local trade union cadres also often sympathize with workers and put pressure on the management to accept their reasonable demands of strikers, along with persuading the workers to return to work. It is worth mentioning that in response to wave of wildcat strikes in late 2005, the Vietnam trade union came openly in support of workers and went to the extent of criticizing the government for its failure in raising minimum wages and demanding to increase it. In Vietnam there is no such institutional discrimination with migrant workers as it is in China, and this also helps in building broader solidarity among all workers for taking a collective action. (Yoon 2009)

In recent years, we witness emergence of a vibrant economy as well as a vibrant labour movement in Viet Nam. The number of strikes increased from about 140 cases in 2005 to 387 strikes in 2006, 541 in 2007, 762 in 2008 and then slightly declining at 310 cases in 2009, with again taking a leap 2010 onwards. During 2010-11 there were about four strikes per week. The interesting phenomenon that emerged is that of repeated strikes in particular factories, especially those working in foreign invested enterprises, for example, in a Taiwanese owned footwear factory- Hue Phong Shoe Company in Ho Chi Minh City, five large-scale strikes happened repeatedly in 1997, 2000, 2001, 2005 and 2008. The strikes still by and large remain peaceful; generally the workers stop the work and gather outside factory gates without creating much disturbance in the region, and therefore also do not invite any large scale repression by the police. But legal strike is still almost impossible, and therefore, the 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 news papers. (Kaxton Siu 2012)

In 2011, there was an upsurge in number of illegal strike going up from 423 in 2010 to about 1000 in 2011. The reason behind the upsurge in strikes was drastically increasing inflation, reaching up to 18 percent, and real wages remaining almost stagnant. One of the most important strikes in 2011-12 period was the strike of 90,000 workers at the Pou Yuen shoe factory (a supplier of major footwear brands like Adidas) for demanding a wage hike. The striking workers face large scale victimization in terms of dismissals and arrests. It is also worth mentioning that in a case of 10000 workers strike in My Phong shoe factory in the Tra Vinh province that happened in 2010, *three workers rights activists were sentenced for* seven to nine year prison in 2011. They have also been subjected to physical tortures

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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, there were several incidences of strike as well as repression of workers, for example, strike at a Taiwanese-owned autoparts factory in Hanoi for wage hike in which a workers was killed[25], and strike in Doojung Vietnam, a South Korean cosmetic accessories producer against company's plans to dismiss pregnant women workers etc.[26] Recently, there are increasing number of complaints from female workers against the employers dismissing female workers when they get pregnant. It is interesting to note that on the one hand, in labour laws of Vietnam pregnant women and new mothers are given priority in the avoidance of working extra shifts, and on the other hand, the employers are openly throughing them out for the reasons of pregnancy. In 2013, Doojung Vietnam, a South Korean cosmetic accessories producer, announced its plans to dismiss women in their sixth month of pregnancy for failing to meet company regulations on working extra shifts. It also banned all female employees from having babies for the next three years.[27]

Comparatively Advanced Economies of Asia

These countries exhibit the dynamics of advanced capitalist economies with greater proportion of formal industrial sectors, and very small proportion of workforce is engaged in informal sectors. Proportion of workforce in agriculture is only about 6 percent in Taiwan, 8 percent in Korea, 4.6 percent in Japan, 14.5 percent in Malaysia and almost absent in Singapore and Hong Kong that are completely urban economies. The proportion of self employed in non agriculture sectors is 14 percent in Japan, 17 percent in Malaysia, 13 percent in Singapore, 30 percent in Korea (Table-). In Korea the percentage of self employed in comparatively higher, but unlike the underdeveloped South and South East Asian countries, in Korea it is not the case of persisting informal sectors, but it is a case of reemerging self employment (informal sector), that is a new trend in developed (also developing) economies, emerging due to rising unemployment. In Korea, self employment in non agriculture sectors increased from 21.8% in 1990 to 25.0% in 1999 (currently about 30 percent). Unemployment also increased drastically in this period. Only in two years, from 1997 to 1999, it increased from 2.6 percent to 8.6 percent. (Kim et al 2002)

In the formative period the industrial relations in these countries were more influenced by inherited colonial past. Industrial relations in Malaysia and Singapore had birth marks of British colonial rule, and that of Korea and Japan (and Philippines)[28] had birth marks of American domination. But in later phases industrial relations were reshaped and modified according to new economic and political dynamics. Maintaining industrial peace remained a prime motive of industrial relations systems, and therefore various legal and institutional devices were designed to dampen trade union activities, limit

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

26 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

27 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

28 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. Philippine was under US domination for a long period and its industrial relations system emerged under direct influence of U.S.

the scope of collective bargaining and control industrial conflicts. Learning from experiences of Japan in this regard, in 1980s the governments of Malaysia, Korea and Singapore reshaped their industrial relations systems and imposed Japanese type enterprise unionism and collective bargaining systems. In 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 bargaining agenda and employee transfers, promotions, job assignments or layoffs were excluded from the collective bargaining. In 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 the strikes. Another development took place in Korea in late 1980s making its industrial relations systems more like Japan. The upsurge of democratic movements in Korea opened a new phase of expansion and growth of independent trade unionism. Finally with restoration of democracy, repressive legal restrictions on trade union activities were lifted and the monopoly of the official trade union came to an end. In this period we observe a steady growth in trade union movement with significant increase in trade union density and collective bargaining coverage. In Japan, Korea, Malaysia and Singapore, collective bargaining coverage is roughly the same, or slightly lower than, union density. (Yoon 2009)

In 1990s, particularly in the aftermath of the 1990s crisis, another phase of industrial restructuring started in terms of relocating the industries to low cost destinations and in terms of restructuring employment relations to reduce costs and increase the profits. This led to rise in the unemployment on the one hand, and shrinking of formal employment and increasing the non-regular forms of employment on the other. Both in Korea and Japan the industrial relations system based on lifelong employment and seniority based wages were replaced by industrial relations based on flexible employment and productivity based wages. Numerical flexibility by hiring greater proportion of non regular workers, wages linked with productivity and greater use of subcontracting arrangements has become the rules of the game in new industrial relations system. With these developments, it became increasingly difficult for trade unions to exercise right to organize and collective bargaining at enterprise level. Resultant impact is reflected in declining trade union density. In Japan, Korea, Malaysia and Singapore there is generally only one union at the enterprise level, and therefore problems created by dynamics of multiplicity of unions do not apply to this group of countries.

Japanese labour movement seems entering in a new phase and it is gradually learning and evolving new strategies of organizing and collective bargaining based on large scale efforts to organize non-regular workers and particularly the part-time workers constituting as high as 23 per cent of the total employees in Japan. These efforts were reflected in increasing unionization rate of part-time workers from 2.5 per cent in 1998 to three per cent in 2003 and 4.8 percent in 2007. This challenge and trade union's efforts to address this challenge continues. Moreover, in the new situations the trade unions were compelled to realize the need for greater consolidation of the labour movement and for example, the national centre, Rengo, pushed for the merger and consolidation of industrial federations. Such mergers of federations happened in metal sector and commercial sector etc. Some trade unions are also working towards more coordinated collective bargaining; for example the Council of Toyota Trade Unions transformed itself to become Federation of Toyota Trade Unions by affiliating unions of smaller suppliers to attempt a coordinated collective bargaining in Toyota and its supply chain. However, there are some counter tendencies also. With productivity linked wages becoming the rule of the game in collective bargaining, the employers as well as workers and trade unions in many capital intensive and larger firms hesitate to support any kind of industrial bargaining. Therefore Shunto, which proved effective mechanism of coordinated bargaining ensuring relatively equitable bargaining outcomes across firms and industries up to 1980s, lost its importance in 1990s. (Yoon 2009)

In Korea, as we already discussed a strong labour movement emerged in late 1980s and early 1990s, against large scale restructuring and relocation of industries, however, as we already discussed that the impacts of 1990s crisis lastly compelled them to a compromise which was reflected in Tripartite commission of 1998 which issued a social pact including setting of unemployment insurance fund coupled with expansion in the amount and periods of unemployment benefits, collective bargaining rights for the public sector from 1999, freedom of labor unions to participate in politics, and recognition of KCTU, and on the other hand, a revision of labor laws to permit layoffs and the ability to use temporary labor for periods up to one year etc. (Kuruvilla and Erickson 2002)

With this the Korean labour movement entered in a phase where, similar to Japan, on the one hand, it faced declining union membership and on the other hand, organizing and collective bargaining became increasingly difficult at enterprise level. There was only way out-going beyond enterprise unionism. A nationwide campaign was initiated in the late 1990s to integrate enterprise trade unions into industry-based organizations. It proved significantly effective and percentage of union members belonging to industry unions increased from 31.3 per cent of the total union membership in 2003 to 51.3 per cent by the end of 2007 (Youngmo Yoon 2009). But this change was limited to only 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 in larger enterprises opposed attempts of sectoral bargaining, and as we discussed in case of Japan, here also, the trade unions in larger enterprises were hesitant in promoting and supporting the industrial bargaining.

Legislative changes in the late 1990s made the layoffs easier and institutionalized the flexible employment like dispatched working arrangements and temporary contracts. As a result, rather than wages, 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. The similar were the situations in Japan also. In Japan, particularly auto and electronics industries of Japan were increasingly relocated in South and Southeast Asia to get low cost advantages. On the other hand, in the 1990s, there was a drastic increase in outsourcing within Japan in the form of work commissioning. More and more Korean investments also moved to low cost destinations of Asia and Latin America. (Kuruvilla and Erickson 2002)

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

It is ironic that in Korea smaller firms with less than 50 workers employ as high as 79.3 per cent of the total industrial workforce and only 3.3 per cent of total union membership comes from these firms. 62.5 per cent of the union members come from large firms with more than 1,000 workers that employ only 5.3 per cent of total industrial workforce. In Korea large scale efforts of the trade unions for organizing non-regular workers is reflected in the increase in the percentage of non-regular workers in total union membership from 11.5 per cent in 2003 to 13.9 per cent in 2004 and 15.4 per cent in 2005.

The trade union situation in Singapore[29] and Malaysia[30] apparently resembles to that in China and Vietnam, however, the system in Singapore and Malaysia provides greater scope for right to trade union and collective bargaining at enterprise level. Apparently, the workers have also relatively better voice and better space in policy decisions because the trade union is also the 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 policy level. With the objective of maintaining industrial peace and in the mean time establishing a more flexible industrial relations system, various social dialogue channels were initiated in Singapore as well as in Malaysia and they played key role in shaping the country's social and labour policy framework, particularly in setting guidelines for industrial restructuring and introduction of performance-based pay. Performance/productivity based wages has emerged as the rule of the game in both the countries. In institutionalizing flexibility labour relations, it seems in Singapore more focus is on functional flexibility, while in Malaysia more focus is on numerical flexibility, i.e., on increasing proportion of guest workers, contract workers etc (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 right to strike in both the countries but it is made meaningless by a highly regulated administrative procedure. The right to collective bargaining is also highly restricted and excludes the issues of employee transfers, promotions, job assignments or layoffs etc. Therefore trade unions are generally not effective at workplaces. In Malaysia, there are reports that foreign employers often refuse to recognize unions, intimidate union activists, or insert antiunion clauses in individual employment contracts (Kuruvilla and Erickson 2002).

Flash points of Labour Movement

The labour movement is emerging in almost all the countries in this group of countries, mainly on the issues related to factory closures, increase in number of low paid irregular workers, wage hikes and union busting etc. In Taiwan, the struggle on wave of anti union dismissals,[31] and series of protest actions by workers of closed factories under the banner of the National Alliance for Workers of Closed Factories; for example, in February 2012, 100 workers paralyzed the Taiwan Railways Administration system by jumping off the platforms and laying on the tracks at Taipei Railway Station.[32] In Singapore, Chinese bus drivers went on strike in 2012, for equal pay and payment for overtime. There were strong demonstration in Malaysia in 2012, demanding an increase in minimum wages and stop union busting. In 2013, the electronics workers organized protest actions against refusal to recognize their union.[33] In Japan, one of the longest strike of teacher of Berlitz General Union Tokyo (Begunto) associated with National Union of General Workers (NUGW) that lasted for almost two years (2007-08), was won at the end of 2012 after the High court decided in their favour. On another similar case of dismissal of the teacher from Yokohama, the struggle is still

[29] The only national trade union center is National Trade Union Congress (NTUC)

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

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

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

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

continuing and the case is pending at the labor commission.[34] After a long time, many of the industrial federations are gearing up for a struggle on wage hikes. Recently, in January 2014, Japanese Electrical, Electronic & Information Union (600,000 members) and Toyota Motor Worker's Union (63,000 members have strongly put forward the demands for a wage hike.[35] The dock workers strike in 2013 clearly gave an indication that labour in Hong Kong is coming back to action. The long struggle of dock workers that injected a new life in all the trade unions and activists in Hong Kong was in itself a victory.

However, among this group of countries, the Korea clearly emerges as the major flash point of the labour movement. And there are reasons for this. Korea already has very high levels (more than 50%) of casualization of labour. More than five million workers, or one-third of the South Korean workforce, have already been made contract workers, receiving just 60% of the average wages of permanent workers. Casual/contract workers have very limited rights to organize and collective bargaining. A whole anti-union environment is 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 like Samsung and POSCO openly follow a 'no union' policy. Moreover, incidences of crack down on trade unions is drastically increasing, both in the form of physical repressions and also in the form of law suits against them. It is interesting to note that 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 workers suicides had resulted from large lawsuits. Several trade unionists were in jail in 2011 for strike related activity. It is worth mentioning here that the major concern of workers in this period is arising on the issues industrial restructuring, privatization, closure of factories and layoffs, that are leading to mass unemployment of workers, and on the other hand, the government and the courts consider that restructuring, privatization, layoffs etc. fall under the category of management rights, and therefore strikes on these issues become illegal. For example, Hanjin Heavy Industries undertook restructuring that resulted in 400 lost jobs, including 230 voluntary resignations and 170 dismissals, and the strike of workers against this was declared illegal. More interesting, the strike of in-house subcontracting workers at Hyundai Motor demanding for 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, for illegal strikes the trade union members have to face law suits of employers charging painful amounts of compensation. (ITUC 2012)

Compelled by these situations the South Korean labour movement is aggressively moving forward to build a strong working class power, and also increasingly taking a radical shape. There are a series of worth mentioning strikes, for example, the strike of irregular workers in Hyundai and occupation of its Ulsan, Asan, and Jeonju plants for demand of regular worker status in 2010, *Strike and occupation in Yoosung factory in 2009, Strike of Security Guards at US Military Bases in Koreain 2011, Hanjin workers strike in 2010, strike of* Kumho Tyre Workers in 2011, *Hongkik University contract cleaners strike in 2010, Department store workers strike in 2010, Railway workers strike in 2011and Hyundai motor workers strike in 2013 etc. The dynamics of Korean labour movement is more powerfully reflected in two most important struggles of the decade-Ssangyong workers struggle and the most recent Railway workers strike against privatization.*

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[34] 2007–08 Berlitz Japan strike; http://en.wikipedia.org/wiki/2007%E2%80%9308_Berlitz_Japan_strike

[35] 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

The Ssangyong Motor workers strike and occupation in 2009 is one of the most glorious workers struggles of the decade that lasted for 77 days. 976 workers seized the auto plant on May 22 and held it in the face of repeated quasi-military assault. Even if this struggle largely ended in a defeat in terms of the direct gains, it was a victory in terms of boosting the morals of Korean workers, and in terms that it became a source of inspiration for the working class.

Three years before the strike Ssangyong Motor Company was taken over by China's Shanghai Automotive Industry Corporation. The downsizing of the workforce started just after the takeover and in three years number of workers decreased from 8700 to 7000. Soon the company filed for bankruptcy, proposing a restructuring and offering the plant as collateral for further loans to re-emerge from bankruptcy. Subsequently the court approved the bankruptcy plan, pending adequate layoffs to make the company profitable again. Workers protested against this pending lay off. On May 22, when the list of workers to be laid off was announced, they Ssangyong workers union (affiliated to Korean Metal Workers Union-KMWU) went on strike and 1700 workers, who were to be laid off, occupied the plant demanding no layoffs, no casualization and no outsourcing. The company wanted to force 1700 workers into early retirement and has fired 300 casuals. The workers who were proposed to be laid off were working in the factory for 15-20 years. Up to mid June about 1000 workers were continuing the occupation, with wives and families providing food. About 5000 workers who were not to be layoff stayed at home, directly or indirectly supporting the occupation. To suppress this struggle, various measures were taken including a large anti-strike rally of more than 1500 people outside the factory gates, mainly attended by the 1000 supervisory staff, 200 hired thugs and 300 workers from those not proposed to be laid off. On the other hand, 400 riot police was stationed there. Trade unions in the region responded against this and 700-800 workers reached to defend the Ssangyong workers. There were consistent attempts by police force to arrest the workers and recapture the plant and therefore the occupying workers also made plans for armed defense against these attempts. They prepared to concentrate in the paint department, because the police may not be able to fir tear gas cannisters out of fear of presence of flammable materials in paint shop. The core occupation of the plant was powered by 50 or 60 rank-and-file groups of 10 workers each, who in turn elected a delegate for coordinated action. The full fledged offensive against the workers occupying the factory was launched on June 26th-27th, when hired thugs and riot police tried to enter the factory, and they secured the main building after violent fighting in which many people were injured. The occupying workers retreated to the paint shop. Next day police and thugs were withdrawn. It is worth mentioning that during this period, one fired and heavily-indebted worker committed suicide. In this background a strong solidarity of trade unions and other sections of people emerged in support of Ssanyong workers. Solidarity actions outside the plant included a street campaign, a 4-hour general strike by the KMWU during which metal workers from nearby plants rallied in front of Ssangyong factory gate etc. On July 1, water and gas supply of the occupied pant was cut off by the government to compel the workers to come out of plant. All access to the plant was blocked and negotiations collapsed, the workers were dependent on rain water in whatever amount they could get. On July 4th and July 11 the KCTU (Korean Confederation of Trade Unions) held nationwide labor rallies in support of the Ssangyong's struggle. 927 activists held one day hunger strike in Seoul on July 11. On July 16, 3,000 KMWU members organized a rally but they were blocked by police and not allowed to go to the factory. 82 workers were arrested. Another attempts to supply food and water to the workers also failed, company thugs break every bottle of water. On July 20, many buses loaded with riot police and 20 fire-fighting vehicles arrived at the factory gate, and 2,000 riot police moved towards the paint shop. The workers responded with slingshots and sometimes Molotov cocktails. A police helicopter was spreading tear gas against workers who were fighting on the housetops. On 21 July, KCTU and also KMWU declared a general strike from July 22nd to the 24th, and KCTU also announced a nationwide labor rally on 25th. On the other hand, from the 21st onward, the police have been dropping tear gas from helicopters onto workers, and riot police was trying to enter the paint shop. The fight continued but by the end of July, only about 700 workers were left in the plant, many of them injured, eating only rice ball with salt and drinking boiled rain water. On July 25 rally of KCTU the workers and other supporters armed with iron pipes and stones marched towards the factory gate and fought against riot police, however, a brutal attack by police forced them to retreat. On July 27, the Ssangyong workers held a press conference and another rally in front of the paint plant and put forward the demands including withdrawal of police, direct negotiation with management and government, release of the results of the investigation into illegal effluence resulting from the use of hybrid diesel engine technology. However, August 1, electricity of the paint department was finally cut off by the police as a signal for final battle that started on July 3, and continued through the 5th. That was the end of the occupation. The defeat was reflected in the final negotiations. The local union president was compelled to agree to early retirement for 52% of the occupiers, with 48% on lay off for one year without pay, after which they may be rehired.[36]

Many of the workers who occupied the factory were arrested and some were sentenced for years in prison. They faced such mental tortures that five workers committed suicide and five died from cardiovascular diseases such as heart attack or brain hemorrhage.[37]

Rail workers strike in Korea reflects on another interlinked dimension of Korean workers struggle. In early December 2013, the Korean government approved a license for a new subsidiary for the state-run rail operator Korea Railroad Corp. (KORAIL) to run KTX (Korea Train Express). This was considered by workers as a decisive move towards privatization of Korean Railway system. In protest about 15,000 union workers, about 45 percent of the workforce, of Korail went on strike on December 9. Rather than listening to their demands and concerns, Korail hired an army of scabs from its rail engineer school and other pools, and declared that it would dismiss 4,213 unionists and filed a damages lawsuit against 194 union leaders. A court issued arrest warrants for 10 union leaders for obstruction of business operations, and on the same day the police raided the union's offices nationwide. On December 22, 4,000 riot police sealed 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. It was in this background of large scale repression that discontent of workers and people at large all over Korea started pouring on the streets. Donations poured in to the union and to the temple where the leaders were encamped. The KCTU called for a general strike on February 25. The participation in the strike was amazing. Nearly all sections of people, 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 is actually a attack on democracy and basic public services. Therefore the protest demonstrations took

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36 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

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

a political shape and it was well reflected in a mass demonstration of 100,000 protesters in Seoul on December 28, raising the slogans against the clampdown on labour, moves toward privatization of nation's railway system, as well as against government's election manipulation scandal.[38]

The strike ended on December 30, after two major political parties agreed to form an ad hoc committee in the National Assembly to study the feasibility of rail privatization. It is interesting to note that the problem still stands there where it was. Korail management was not part of this compromise. Moreover, Korail was seeking an injunction to seize the assets of the union and its leaders as part of its 11.6 billion won ($10.8 million) damages suit. There was also no clarity whether the Korail had withdrawn its plan to fire the unionists. It had summoned 256 unionists to a penalty commission, a routine step toward dismissal. The prosecution had also moved for arrest and detention warrants for eight union leaders who had no other option but to surrender to the police after the strike. (**San 2014)**

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38 100,000 South Koreans Protest Election Scandal, Labor Clampdown; http://globalvoicesonline.org/2013/12/28/photos-100000-south-koreans-protest-election-scandal-labor-clampdown/

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Chapter 5

Conclusions and the Way Forward

The new global politico-economic regime governed by a kind of supra national state structured in entities like WTO, World Bank, IMF and OECD etc has increasingly institutionalized the financialization and international capital mobility, and therefore provided a stable base for 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 exercise their control on whole value chain and are able to capture major share of profits by their effective control on high value adding capital and R&D intensive operations of the value chains, and their monopoly on markets and finances.

Expansion of the global value chain is reflected in expansion of operations of transnational corporations across the globe. In 1990, the foreign affiliates of the top hundred nonfinancial multinationals of the world accounted for about one third of their total assets and less than half of the 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 at $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 five hundred global corporations account for about 35-40 percent of world income. By and large they control the whole global value chains. On the other hand, the expansion of GVC is also reflected in overall increase in trade in developing countries, and particularly in increasing share of parts and component in manufacturing trade. In integrating Asia, the share of parts and components (PCT) in manufacturing trade shot up from 24.3% in 1996 to 29.4% in 2006. PCT trade among ASEAN countries rose from 35% of manufacturing trade in 1996 to 43% in 2006.

East and south east Asia is well integrated in GVC, reflected in integrated supply/value chains across these regions with China as the hub of these networks. However, the south Asia's integrations with GVC is delayed and slow, and that is reflected in almost absence of any such integrated value chain networks in south Asian region. But this picture emerges largely due to south Asia's lag in electronics industry. In other industries, for example, in Textile and apparel the south Asia is already fully integrated in GVC. In South Asia, the automobile industry is mostly concentrated in India, and it is fully integrated in automobile GVC. But due to the specific nature of GVC in these two industries, and due to the specific geographical position of south Asia, and its lag in sub regional economic integration, the parts and components trade is not at the rate as it appears in electronics industry. In garment industry, there is almost no parts and component trade. In automobiles, major proportion of parts and components are sourced locally to avoid the huge transport costs. India is also gradually emerging as one of the hubs of electronics industry. However, due to lag of south Asian countries in auto and electronics industry, the supply chain networks of Indian hub of electronics and automobile industry are integrating more with East and South East Asia, rather than expanding in South Asia. This is reflected in the fact that PCT represents 10 percent share of its intra-regional manufacturing exports and 23 percent of manufacturing imports, and ASEAN countries accounted for more than 10 per cent and East Asian countries accounted for more than 34 per cent of India' manufacturing imports.

The nature of global value chains in Asia is such that dominantly the TNCs based in developed countries (North America, Europe and Japan) occupy the OBM positions; largely the firms of newly industrialized countries (Hong Kong, Taiwan, South Korea, Singapore, and also Malaysia) along with 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 GVC. In 2000s, some significant changes emerged in the Asian structure of GVC, and particularly South Korea increasingly moved up the value chain with emergence of significant number of globally competitive OBMs (along with greater specializations at OEM and ODM level), and Taiwanese firms consolidated their position strongly as ODMs, with high technological capacities. Hong Kong and Singapore gradually emerged more as a trading and financial center than manufacturing center, and they moved further up in the value chains and acquire a position of managers and financiers of the GVC. Recently, Malaysia also entered in the group of newly industrialized countries and moved up the value chain mainly at the level of OEMs and ODMs, but also with some OBMs in certain sub sectors of electronics and automobiles. In recent decades, there is some further restructuring of value chains in Asia, in terms that by virtue of huge economies with huge home markets, Many Indian and Chinese firms moved up the value chains at the level of OEMs, some firms were able to emerge as competitive brands in local market, and few emerged as globally competitive OBMs. This movement is stronger in China and visible in almost all the sectors. In India it is visible mainly in ICT services, automobile and garments. However, the upward movement in the value chain in China and India is unlike that of newly industrialized countries where the whole economies moved up the value chain and lower ends of value chains were transferred to the under developed low wage economies of 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 development and also in wages there are immense scope for retaining their position as production hubs for exceptionally longer periods and keep shifting the low ends of the value chains to the low wage locations within the same country. The current tendencies clearly indicate this. In China, some sort of tendency is emerging in terms of some Chinese firms shifting their productions to other countries, and the orders particularly of garments are moving to other countries like Cambodia; but this reflects more on geographical expansion of Chinese firms on the one hand, and TNC brands' strategy of spreading the risks on the other hand, and less in terms of any major shift of productions from China. China still remains over flooded with orders and there is still no alternative of China. India is trying to emerge as some sort of similar hub of production in South Asia, and the new manufacturing policy and particularly the new electronics policy reflects on this. It will certainly gain in this direction, but how larger role it gets in the global supply chain will also depend on the pace of regional integration of South Asia. Indonesia is another larger economy in Asia with strong possibility of emerging as another regional production hub in general but most specifically focused on electronics. The movement of many global electronics brands and interesting of Foxconn to both Indonesia and India clearly reflect on this. Thailand is mainly emerging as automobile production hub of the sub region, and it is decisively moving up the value chain in this particular industry. There is some upward movement in the value chain in Sri Lanka and Bangladesh in garment industry mainly in terms of some firms emerging as competitive OEMs. This trend is stronger in Sri Lanka than in Bangladesh, for example, the Brandix Apparel company of Sri Lanka occupies an exclusive special economic zone in Andhra Pradesh India and operates at exceptionally large scale (Pratap 2013). But as we discussed earlier, if we consider the economy as a whole, all these countries, including China and India acquire the low value adding positions in the global value chains.

Therefore, the nature of GVC remains such that high value adding activities are concentrated in TNCs based in developed countries and they are able to capture major share of profits and are also able to control the whole value chain by establishing monopoly on markers and finances. Only a negligible share of value is captured in developing countries. Therefore, the major section of 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 has created a dynamics in which all the developing countries are competing with each other in terms of offering more super profits to transnational corporations; and this competition lastly takes the form of waging a war against the working class in their own countries. Amendment of labour laws in favour of capital, denying the rights to organize and collective bargaining, decisive informalisation of labour and large scale 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, where the shift of productions to developing countries is creating serious unemployment problems and also declining the collective bargaining power of labour. The international mobility of capital on the one hand, virtually transforms the whole workforce of developing countries in to a reserve army of labour, and on the other hand, throws the whole workforce of developed countries in to situation wherein the sward of unemployment is always hanging over their heads. Informalisation of labour is a dominant trend in both developed and developing countries.

Recurrent crisis is actually inbuilt in the new global politico-economic system, and with the above dynamics of export led growth and the above structure of global supply chains, the countries more dependent on exports face the worse impacts of any economic crisis. Workers in these countries are the worst sufferers. This was reflected in recent economic crisis when millions of workers in Asian developing countries lost their jobs, including in India, Pakistan, China, Malaysia, Cambodia and Viet Nam etc.

Moreover, the nature of GVC is such that the import bill of developing countries for high value added parts and components is rising alarmingly creating additional factors for economic/monitory crisis leading to inflations etc and increasing the cost of living.

It is inbuilt in the above structure of the global value chain that the high growth rates in developing countries aggravate all kinds of inequalities to alarming levels. Some regions emerge as highly developed, while others remain highly under developed, few enterprises emerge as huge monopolistic corporations while the overall picture of industries are dominated by large number of small and tiny enterprises, a small section of people, the managers and facilitators of global supply chains (enterprise owners, managers, engineers, financiers, big traders, professionals in various services, those running or engaged at higher positions in educational institutions, bureaucrats and politicians etc) are able to capture exceptionally high incomes and the huge majority of population (wage workers and the primary producers) is struggling for its survival.

This dynamics is very well reflected and is also the product of the phenomenon that appears in almost all the Asian developing countries. This kind of development based on export oriented growth was able to decisively transform the developing economies in terms that share of industry and services shot up and the share of agriculture declined drastically. However, this development did not generate enough employment opportunities, and therefore, there was no corresponding employment shift. In almost all developing Asian countries nearly fifty percent of the population is still dependent on agriculture in a situation where average size of land holdings of 85 percent farmers are less than 2 hectares. Moreover, the whole development was accompanied with large scale dispossession of the people from their livelihoods, in the form of large scale land acquisitions for infrastructure and industrial projects and mass displacement of people, large scale dispossession of workers engaged in traditional occupations like retail, fisheries etc and capturing of this economic space by multinational corporations, privatization and downsizing of public sectors etc. On the other hand, all the development generally emerged as jobless growth. Therefore large scale dispossession from the livelihoods without creating any decent alternative livelihood opportunities, drastically increased the reserve army of labour that is typically positioned as huge floating labour or surviving in precarious informal sectors. It is also in this light we can understand the nature of informal sectors in Asian developing countries. One section, mainly a section of primary producers/self employed workers are assimilated in the global value chains at its lowest end and virtually transformed in cheap labour at their own fields/workplaces, and the rest is largely transformed in to reserve army of labour and surviving in extremely precarious conditions mainly due to lack of any alternative.

This dynamics has a political dimension also. As we already discussed that currently about 500 transnational corporations account for for about 35-40 percent of world income and by virtue of new international division of labour, shaped in typical structure of global value chains, combined with international capital mobility, they control the whole global value chains. By virtue of this power they exercise an effective control on whole global political economy both directly, in terms of creating threat of shifting the investments elsewhere and disrupting the economies, and also indirectly, through their country states and through the international institutions like WTO, IMF, OECD etc in terms of imposing economic and political pressures and sanctions. These corporations are increasingly integrated in various kinds of groups like industrial associations/chambers and the entities like world economic forum and trilateral commission to ensure a pro-TNC global political economy. Moreover, at national level also it has similar political dimension both in developed as well as developing countries. For example, in 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.[39] Samsung alone accounts for more than 20 percent of GDP of Korea.[40] These Chaebols, and specially the Samsung, play decisive role in framing the Korea's economic policies and politics in general, and this dynamics is always reflected in state's policies in terms of dominance of "profits over the people". Most frequently used comment on Korea as 'republic of Samsung' has an inbuilt meaning in terms of its implications for democracy in Korea. In varying degrees this dynamics is reflected in almost all the countries, including the developing countries, as we have already discussed that the nature of development creates few highly powerful monopoly corporations while the remaining economy remains largely of small scale. In these situations these monopoly corporations are able to exercise their effective control on the political economy of the country. For example, recently, the well published reports by a new political party (Aam Adami Party-AAP) quoting a communication wherein Mr Anil Ambani the Chairman of Reliance Industries saying that the ruling

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

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

Congress party is in his pocket. Moreover, there are many exposures that prove a clear nexus between capital and politicians, both those running the governments and those in opposition, and show that the government ministers directly acted to benefit the corporate. These situations clearly reflect on the fact that by virtue of their economic power the corporate now effectively control the existing politics by way of transforming most of dominant political parties and state bureaucracies as their own arms. It is in this light we can understand how the states in most of the countries are increasingly acting as corporate agents. Democracy is transformed largely in to a formal democracy, the people may keep on exercising their democratic rights to elect governments, but the pro-corporate character of the state does not change, the same policies continue. The change is expected and is seen only when new political parties with greater linkage with labour movement and people's movement emerge on the scene.

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 more related to shifting and closure of firms, privatization and sale of firms, retrenchment and downsizing of workforce, downgrading of social security benefits, increasing share of non-regular workers, violation of trade union rights, shrinking space for collective bargaining, stagnant or declining wages etc. In developing countries, the major issues are related to low wages, minimum wages becoming maximum wages, excessive working hours without any rests, alarmingly rising occupational health and safety problems, very minimal or no social security benefits, very limited or absolutely no scope for collective bargaining, severe kind of repression of workers and trade unions etc.

Among developed Asian countries, the hot spot of labour movement is clearly emerging in South Korea that is reflected in various strikes involving factory occupations, and in exceptionally large scale demonstrations during the recent railway workers strike. It is also reflected in large scale and very severe kind of repressions unleashed on 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 were able to achieve some understood kind of collective bargaining rights even if the legal situation remains by and large the same with monopoly of official trade unions. The repression of labour movement still continues.

In South East Asia, Indonesia and Cambodia emerge as hot spots of the labour movement. In Cambodia, the labour movement is centered in garments. In Indonesia it appears as general phenomenon, and it is reflected in recent general strikes in 2012 and 2013.

In South Asia, India, Bangladesh and Pakistan are emerging as major flash points of the labor movement. In Pakistan this is more focused in textile industry and in Bangladesh it is centered in garments. It appears more as a general trend in India, but more focused in some formal sectors particularly the automobiles, and also in food sector, electronics etc.

With our learning from the whole dynamics of international capital mobility and global value chains, as well as from the labour movements emerging across Asia, following issues emerge as major areas of concern for the Asian labour movement as a way forward:

1. With increasing share of informal-non regular workers in almost all the countries and all the industries, the collective bargaining power of labour at firm level is decreased drastically. Moreover, for the first time it is apparent more than in any period, the decentralized 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 only by integrating itself at industry level and practicing the collective bargaining at industry level. Increasing realization on this aspect is reflected in the labour movements of both developed (for example in Japan and Korea) and developing countries, increasingly attempting to move towards industrial federations and industry level bargaining. This trend is strongest in highly labour intensive industries where informal workers form the huge majority of workforce for example in garment (Cambodia and Bangladesh) and textile industry (Pakistan). But in comparatively technology intensive sectors like automobile etc, where formal workers still form a significant proportion of workforce, these attempts still face opposition from formal workers and firm level trade unions who think that on the whole they will lose in industry level collective bargaining. This contradiction exists even after facing large scale repressions and getting compelled to form joint trade union councils for example in Gurgaon, India, to collectively resist against the attempts of repression.
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 them in absence of any wage increment policy for them, the labour movements in many countries are focused on the issue of raising the minimum wages, for example in Bangladesh, Cambodia, Pakistan, India etc. It is interesting to note that in most of the countries, determining formula of minimum wages include broad range of factors including for example food, clothing, house rent, fuel-lighting etc, children's education, medical requirements, recreation-marriage etc; but the minimum wages are actually revised arbitrarily, not taking care of all the factors. The process is never transparent for workers and they never know for which factor how much is included in minimum wages. Moreover, the minimum wage policy does not include any wage increment policy for increment of wages with working experience. Therefore it is an urgent need for the labour movement to compel the governments to consider various factors separately during determination of minimum wages and declare the amounts added for various factors in the minimum wage. Moreover, a wage increment policy must be part of the minimum wage policy, so that with increasing work experience there is increase in wages also, and they are not locked at the minimum wage.
3. With the nature of value chains, it is increasingly becoming evident that solidarity across the value chain in particular country and international solidarity across the value chain in particular industries is an important determinant of the strength and effectiveness of the struggle. This is one of the most important aspects for the way forward of the Asian labour movement. This is not an easy task, in a situation when the weapon of international capital mobility is increasingly used to divide the workers on nationalist lines, both in developed as well as developing countries. A false consciousness is systematically created in workers to make them understand and articulate the issues in a way as if workers in various countries are competing with each other for jobs. However, with all the limitations, the international solidarity among workers is an increasing trend, as was reflected in case of recent strike of Cambodian garment workers. Also the international solidarity is the one of the most effective weapon in the hands of working class to challenge the disastrous movements of the capital.
4. With an understanding of the nature of the global value chains and their impacts, it is important to build effective strategies to organize the informal sectors in such a way that it

nullifies the negative dynamics of reserve army of labour and increases the collective bargaining power of workers in such a way that it increases the sustainability of their livelihoods also. There emerge three major sections of informal sector workers: a) Self employed producers/workers linked or not linked with industrial value chains, like agriculture workers, forest workers, fish workers, home based industrial workers, vendors, artisans with various skills, waste pickers etc., b) workers in enterprises with less than 10 workers in various sectors including manufacturing, mining etc, c) Floating labour. This picture clearly suggests that there can be no single strategy of organizing for informal sector workers. For example, in almost all the cases of self employed producers/workers, only those strategies can increase sustainability of their livelihoods, improve their working conditions and increase their collective bargaining power that creates some sort of economic integrations of their economies and builds their collective economic power along with increasing their political bargaining power. For workers in enterprises with less than 10 workers, the effective strategy to increase their collective bargaining power may be by way of integrating them in industrial federations and industrial bargaining structures. For floating labour right to employment with provision for unemployment benefits emerges as major issue. In the informal sector as a whole, the social security emerges as a major issue. In present conditions informal sectors largely act as a reserve army of labour and large numbers of workers keep on migrating and flooding industrial centers, creating a downward pressure on wages. Therefore increasing sustainability of livelihoods, incomes and collective of these workers may reduce the negative impacts of the reserve army of labour and increase the collective bargaining power of industrial workers in general.

5. Most of the issues of the working class movements in both developed and developing countries inbuilt in new global politico-economic regime, and any broader change on these aspects cannot be achieved without a 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 realization, we observe consistent efforts particularly in Korea and Indonesia towards political consolidation of the labour movement. There are such moves in other countries as well but still not emerging as a strong tendency. This aspect may be one of the important factors for way forward of the labour movements in various Asian countries.
6. The organizing 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 organizing and collective bargaining strategies in new conditions, the activists need to understand the dynamics of global value chains in their particular sectors, and related politico-economics dynamics. 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 that becomes important for winning the struggles in new situations. Therefore, training and education of activists, as well as providing them exposure to regional labour movements emerges as an important area of focus as a way forward for Asian labour movement.
7. Increasing corporatization and monopolization of media and their systematically built anti-labour agenda has created a situation where in the labour becomes invisible, and their actions are by and large made ineffective. For example, in series of general strikes after 2000 in India millions of workers participated, in many labour demonstrations tens of thousands of workers marched in the capital city of Delhi, but media never provided them a significant

space, and many times completely ignored, reducing the effectiveness of labour actions to the extent that majority of population even did not know about it. In these situations, it is becoming increasingly important for labour movements to create their own national media.

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