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GLOBALIZATION, EXPORT-ORIENTED INDUSTRIALIZATION, FEMALE EMPLOYMENT AND EQUITY IN EAST ASIA

Paper prepared for the UNRISD Project on Globalization, Export-Oriented Employment for Women and Social Policy

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******SUGGESTIONS AND CRITICAL FEEDBACK APPRECIATED******

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Content

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Introduction

It is often claimed that the rapid growth in East Asia in recent decades has been due to export-oriented manufacturing growth, which is often attributed to open economic policies. Hence, it is argued that economic globalization, which should accelerate international economic integration, will encourage export-oriented industrialization and related manufacturing employment. Such processes are also expected to enhance women's position within the economy. The assumption behind this last assertion seems to be that with export growth (which is supposed to be facilitated by trade liberalization) the demand for female labour increases faster than for male labour, so that female wages also rise faster than male wages, and eventually converge. These trends are presumed to eliminate labour market rigidities and remove the institutional foundations for gender-based discrimination in labour markets. Thus, globalization is supposed to improve the condition of women by creating manufacturing employment opportunities for them while eliminating gender discrimination in labour markets.

This paper challenges this picture at several levels. After critically reviewing economic dimensions of globalization in part 1, the paper goes on to argue in part 2 that East Asian industrialization has been decisively advanced by appropriate government interventions. It will show that selective interventions, or industrial policy, have been crucial, especially for the greater Northeast Asian successes in developing indigenous industrial capacities and capabilities. Protection conditional on export promotion has enabled import-substituting infant industries to become internationally competitive export-oriented industries. Part 2 also looks more closely at industrial employment in the region by gender. Gender discrimination in the region's labour markets seems to have survived economic liberalization, with the large gender wage gaps characteristic of the region not closing despite rapid growth and full employment. The final part of the paper (Part 3) argues that the changing international economic governance associated with the current phase of globalization is likely to constrain further 'late industrialization' efforts and limit the economic welfare gains associated with the rapid growth of manufacturing employment in the East Asian region in the second half of the twentieth century.

1. Globalization

'Globalization' often refers to the accelerated increase in international economic relations in the recent period, usually associated with greater economic liberalization, both internationally as well as within national economies, that has taken place since the early 1980s. Though it is moot whether liberalization at the international level should be equated with globalization (Thompson and Hirst 1996), for the purposes of the present paper we do not distinguish between the two. Hence, the international dimensions of liberalization—or external liberalization—are associated with globalization.

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Liberalization, economic and otherwise, has been quite uneven, with global economic liberalization even more so. However, it would be a mistake to think of liberalization as deregulation. Instead, it can be shown that liberalization actually involves *new* regulations or re-regulation conducive to liberalization, i.e. an effectively liberalized regime requires regulation, albeit of a very different nature, as opposed to the complete absence of regulation, which would give rise to anarchy.

There is a widespread sense of globalization emanating from, and being largely determined by, the centres of world capital, advanced technology and, it is often presumed, human civilization. In a sense then, globalization is seen as the latest, accelerated and—very importantly—most intensely transnationalized stage of the process identified with development and modernization with which earlier generations have been concerned. The information revolution as well as the reduced costs, greater ease and consequent intensification of communications, including transportation, are generally believed to have facilitated and furthered these processes.

Those favouring globalization have often been ideologically inspired by liberal, neo-liberal, market and other pro-business ideologies. In this sense, globalization is not simply an analytical concept, but also expresses particular views of what is considered inevitable or desirable. For many such proponents, globalization refers primarily to the extension and deepening of global markets. It is further maintained that national governments have consequently lost much of their power, with this often seen as desirable for enhancing economic efficiency and even human welfare.

The contemporary globalization experience is not only seen by many as being without precedent, but also as natural and desirable. In fact, the process of international economic integration from the last third of the nineteenth century until the outbreak of the First World War, surpassed many of the contemporary indices of globalization, albeit perhaps not at the same pace. Interestingly, globalization from the late nineteenth century involved far more trans-border labour flows and greater human migration than currently allowed by most national governments. This is not to suggest that there is nothing new about contemporary globalization; such an attitude would only blind us to the significance of the monumental changes currently taking place.

The crucial role of technological change in contemporary globalization cannot be overemphasized, and the full potential and implications of recent, current and future technological developments can hardly be fully anticipated. Yet, while there undoubtedly are many aspects of the current globalization that have been made possible by recent technological developments, particularly in communications, transport and information technology, many of these aspects of contemporary globalization are certainly not inevitable consequences of such technical changes. They are more often due to the historical circumstances of the economic, social and political control and deployment of such technology.

Hence, globalization and its implications have been quite complex, often uneven, even contradictory, and certainly not unambiguously desirable in their totality. While opening up new possibilities and opportunities, it has also closed off many others. At the very moment when so much more is possible due to technological progress, so much more is also denied by the simultaneously growing ownership and control of new technology, with the strengthening of intellectual property rights and the means for their enforcement.

Globalization since the 1980s has often been associated with the emergence of a new transnational regime characterized by weaker national, including state, sovereignty as well as local, including community, autonomy. In retrospect, it appears that the debt crises of the early 1980s, induced by United States-led deflationary policies, provided a critical opportunity for Washington to try to impose a succession of new international economic policy regimes through the Bretton Woods institutions and, more recently, through the World Trade Organization (WTO). While the International Monetary Fund (IMF) imposed short-term macroeconomic stabilization policies forcing indebted governments to open up their national economies to imports and capital from the North, the World Bank (International Bank for Reconstruction and Development, or IBRD) followed through with complementary medium-term policies for structural adjustment.

Much of the recent neo-liberal economic literature suggests that economic nationalism and government intervention have undermined market forces and property rights, with adverse implications for economic growth, welfare, equity and efficiency, particularly in terms of resource allocation. Economic liberalization, including globalization, it is argued, will undermine all this, with generally benevolent consequences on balance. The collapse of the Soviet bloc, the crises of the European welfare states, and the development failure of much of the South are invoked as evidence of the failure of Keynesianism, *dirigisme*, economic nationalism, socialism and other developmental projects involving state intervention.

Yet, the policies associated with the 'Washington Consensus' have had mixed consequences, and have usually not proven to be the panaceas they were touted to be. It is often assumed that globalization has helped spur economic growth throughout the world. According to Weisbrot, Naiman, and Kim (2000), the official data for the last two decades (1980-2000) suggest a different record: economic growth has slowed dramatically, especially in the less developed countries, as compared with the previous two decades (1960-1980). Hence, the World Bank and IMF cannot point to any region in the world as having succeeded by adopting the policies that they promote—or, in many cases, impose—in borrowing countries. Understandably, they are reluctant to claim credit for China, which maintains a non-convertible currency, state control over its banking system, and other major violations of IMF/World Bank prescriptions.

Nevertheless, there has been a clearly discernible trend toward global economic liberalization, which has involved liberalization of the international trade in goods and services on the one hand, and the flows of international capital (foreign direct investment, portfolio equity investment, borrowings, etc.) on the other, though the two are often closely related. But recent globalization has also involved new, often standardized, regulation, ostensibly to level playing fields. This has been the main thrust of new international trade and investment regulations.

Stronger regulations, implementation and enforcement have strengthened intellectual property rights—affecting technology transfers and technological development—and further constrained international migration. Changes in transnational economic governance since the 1980s have largely been along lines acceptable to—and promoted by—the 'Washington Consensus'. They have been greatly enhanced by the establishment of the WTO with the conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations in 1993. Greatly strengthened intellectual property rights of the last decade have raised the costs of technology acquisition, thus further frustrating 'late industrialization' efforts.

Uneven resistance by various national governments and others—especially in the face of the protracted global economic slowdown since the end of the post-war Keynesian 'Golden Age'—as well as increasingly intense rivalries among the United States, the European Union (EU) and Japan, have rendered these processes uneven and their consequences quite mixed. Perhaps most importantly, the actual consequences of global liberalization have been much more adverse than they were widely expected to be, thus undermining the case for further liberalization (e.g. see Jomo and Nagaraj 2001). However, despite the inevitable hesitancy this record has brought about, in contrast to the often arrogant and over-confident predictions and promises of the 1980s, the liberalizing juggernaut lumbers on, with a momentum sustained by the apparent absence of viable alternatives, as the new ideological hegemony defines the terms and scope of permissible discourse and debate (Krugman 1995).

2. East Asia: Industrialization, State Intervention and Employment

The sustained rapid growth and successful 'late industrialization' of East Asia, associated with industrial policy, have posed awkward challenges for the neo-liberal orthodoxy. Since the mid-1990s, the literature acknowledging the importance of good governance has grown, re-legitimizing the role of state intervention. Meanwhile, even the World Bank (1993) has acknowledged the significant contribution of 'directed credit' in financing 'late industrialization' in some of the eight high-performing Asian economies (HPAEs) of East Asia, though it claims that there is no evidence of successful selective industrial policy associated with trade interventions. Instead, it argues that the second-generation Southeast Asian newly industrializing countries (NICs), notably Malaysia and Indonesia, performed best after abandoning industrial policy intervention in the mid-1980s. Although the evidence is hardly conclusive (Jomo et al., 1997), the Bank goes on to suggest that the second-generation Southeast Asian NICs are therefore the more appropriate models for emulation for the rest of the developing world—compared to the first-generation East Asian newly industrialized economies (NIEs) of South Korea, Taiwan Province of China (hereafter Taiwan), Singapore and Hong Kong. Ironically, in the aftermath of the currency meltdowns and financial crises in Southeast Asia since mid-1997, pundits are arguing precisely the opposite, i.e., that Southeast Asia's recent problems have been due to emulating Japan and South Korea, and not liberalizing enough.

2.1. 'Late Industrialization' in East Asia

In the early 1960s, Alexander Gerschenkron (1962) argued that 'late industrializers' were likely to evolve different institutional forms in order to exploit their 'lateness' and to 'catch up'. More specifically, according to Gerschenkron, the larger capital requirements of industrialization over time require new institutional arrangements whereby the state takes on a larger and more active role in the industrialization effort of the 'late-comers' compared to the pioneer industrializers (e.g. Britain).[1]

[1] It is not very clear if government intervention in 'pioneer' countries was as minimal as Gershenkron suggests (Kozul-Wright, 1995). It is also unlikely that government intervention will increase *ad infinitum* in sequentially later industrializations if an alternative actor to

Late industrialization in East Asia has taken place in specific historical and geopolitical circumstances, and has its own peculiarities. It nevertheless offers many important lessons for developing countries. The favourable economic conditions in the post-World War Two era and during the Cold War are believed to have been crucial for the late industrialization of the first-tier East Asian newly industrialized economies (NIEs), including South Korea and Taiwan. Buoyant world demand during the first quarter century after the end of the war, and much more permissive international trading rules and enforcement provided a crucial window of opportunity, which Japan and the first-tier East Asian NIEs successfully took advantage of to develop internationally competitive manufacturing capabilities from temporarily protected import-substituting industries.

The later emergence of the second-tier Southeast Asian NICs (Malaysia, Thailand and Indonesia) suggests that there continued to be space for late industrialization initiatives. Although world economic growth has been slower since the 1970s, and especially from the 1980s, less favourable international conditions did not block late industrialization efforts of these countries. International trends were probably more contradictory and ambiguous than they were often made out to be, and many opportunities for late industrialization still exist within the interstices of the new, more globalized and liberalized economic environment.

After the Southeast Asian recessions of the mid-1980s, strong and remarkably sustained recoveries were initially buoyed by improved primary commodity prices and, most importantly, by foreign investments from Japan and the first-tier East Asian NIEs, encouraged by relaxed investment regulations and the marked currency depreciations of the second-tier Southeast Asian NICs. Thus, more conducive and permissive policies successfully attracted foreign investments—especially in export-oriented manufacturing—which helped begin and then sustain economic recovery from the late 1980s.

The recent resurgence of protectionism and conditional liberalization in the North have certainly meant less favourable circumstances, as suggested by recent developments in international trade and related policies and practices by the advanced industrial economies. The mid-1990s extension of GATT jurisdiction to foreign investments, the international trade in services and intellectual property rights, as well as the establishment of the World Trade Organization (WTO), will probably also strengthen transnational corporate hegemony and impose additional obstacles and costs to new ‘late industrialization’ efforts, as discussed in section 3 of this paper. In addition, the more recent export-led growth of large economies, including China, India and a host of other economies, must surely constrain the