Latin America and the Changing World Economy

Pedro Vuskovic

For the third time this century, Latin America is faced with the need to fundamentally realign its structure of production in accordance with a new "international division of labor." To a greater extent than in prior eras, this realignment is taking place under conditions which require extraordinarily important social transformations and political adjustments.

Such a claim has elicited doubt and provoked controversy. Indeed, while it is generally recognized that the data support this view of recent trends in the world capitalist economy and the relative position within it occupied by the economies in this region (with the exception of Cuba), there is disagreement on their foreseeable duration and the extent of their future effects. In fact, this controversy becomes even sharper when it involves not only Latin America, but the whole underdeveloped world, as well as the relations among the more advanced capitalist societies themselves.

These disagreements are legitimate given that the implications of this realignment are still unclear. We must examine the objective dangers inherent in these trends rather than assume that they will be reversed. We must study the factors which strengthen the trends rather than those which tend to slow them down.

TRADE AND PRODUCTION IN HISTORICAL PERSPECTIVE

Even if we examine the 1970s alone, it is clear that significant changes have altered the patterns of world trade, especially as regards the composition of trade between countries

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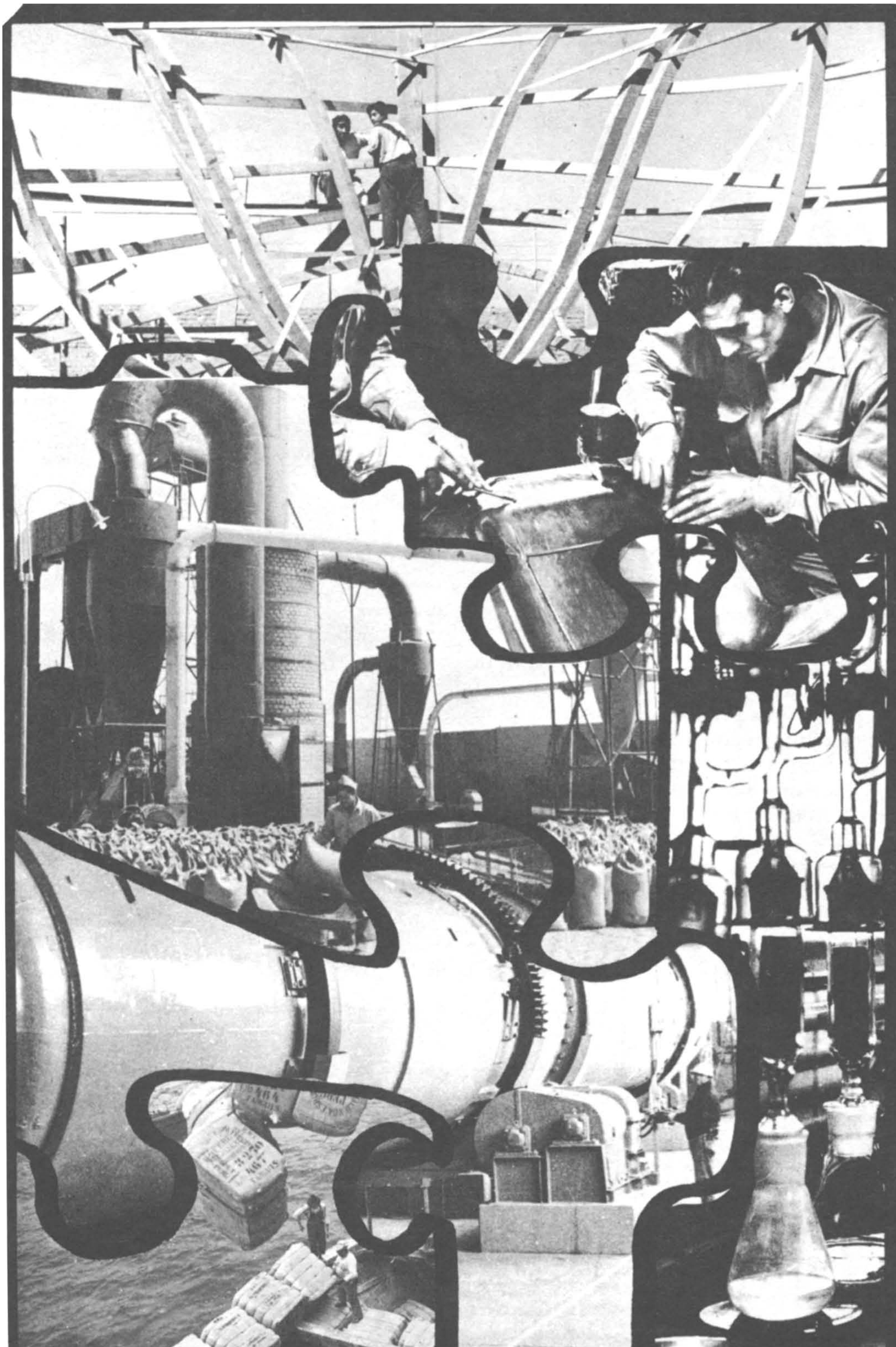
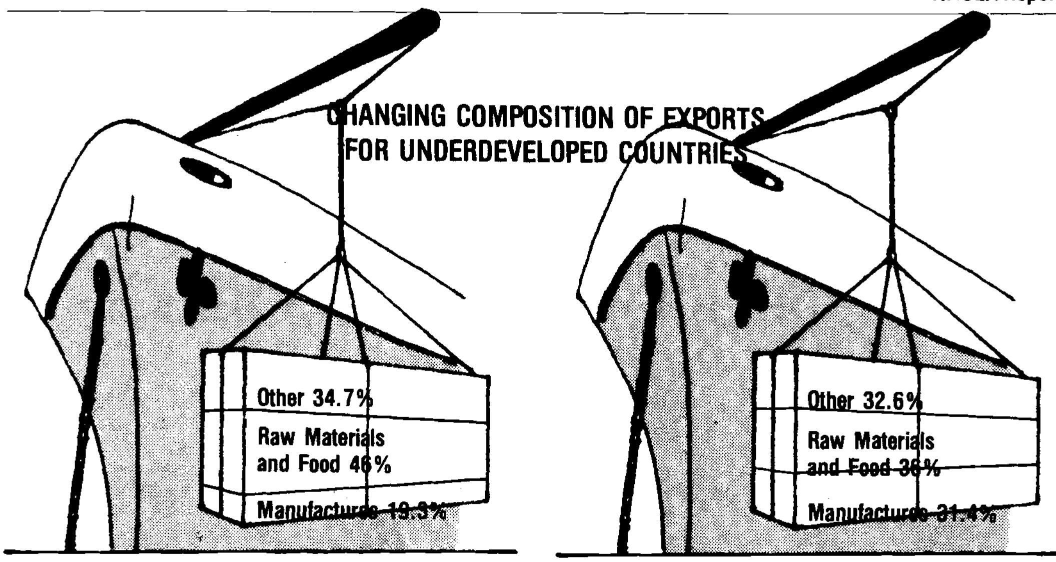
Pedro Vuskovic served as the first Minister of Economics under the Popular Unity government in Chile. He currently works as an economist with the Centro de Investigacion y Docencia Economicas (CIDE) in Mexico.



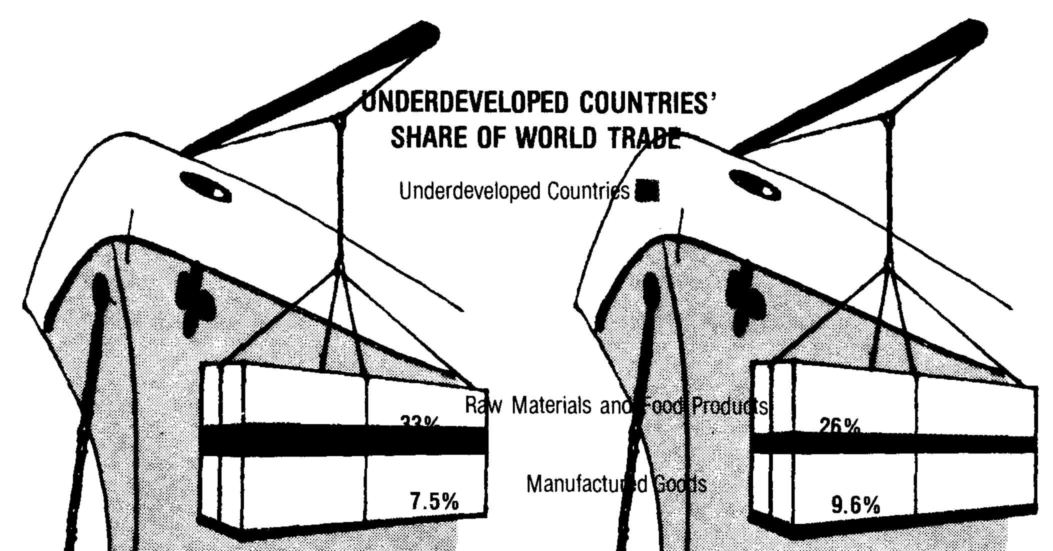


1972 Total Exports — 1977 Total Exports

with different levels of development.

For underdeveloped countries as a whole, manufactured goods as a share of total exports (valued at 1970 prices) rose from 19.3% in 1970-72 to 28% in 1975 and to 31% in 1977. On the other hand, the proportion of food products and raw materials shrank from 46% to a little less than 36% during the same period. Similarly, the underdeveloped countries' share of world trade decreased between 1970-77 from almost 33% to 26% in terms of food products and raw materials, but went up from 7.5% to 9.6% in the case of manufactured goods.

A similar change has occurred in Latin America. For example, manufactured products as a share of total exports increased from 13.2% in 1970-72 to 23.4% in 1975. A United Nations study, based on similar data, called attention to "the profound changes in world trade" which occurred during the 1970s and remarked that "in only seven years the



1970 World Trade — 1977 World Trade

structure of exports from the periphery underwent a fundamental tranformation."[1]

Other quantitative indices would further substantiate the argument, but the data are well known and there is a general consensus as to the trends they illustrate. However, it is useful to situate the data in a broader historical perspective by examining, in successive, clearly differentiated phases, the composition of trade, and the resulting international division of labor.

At the beginning of the century, countries tended to specialize in either the production of raw materials or in manufacturing. Trading patterns consequently developed in strict correspondence with the theory of comparative costs, one kind of product being exchanged for the other.

This system, given the conditions prevalent at the time, produced an extraordinarily rapid growth in world trade over a long period. To a differing extent, both the "central" countries specializing in industrial production, and the "peripheral" countries specializing in raw material production, shared in the benefits of this system. It temporarily offered some Latin American nations the opportunity for rapid growth and "modernization," particularly during the second half of the last century.

But this system could not work indefinitely. On the contrary, its tenuous nature was predetermined by a number of well-known factors including the unequal differential demand for industrial products and raw materials, as well as the simplification of production imposed on underdeveloped economies despite a growing diversification of demand. Also, technological developments in the advanced capitalist countries resulted, in many cases, in the displacement of natural products by synthetic goods. Furthermore, the growing role of industrialized capitalist countries as producers,and then exporters, of agricultural products meant that the existing patterns of international trade specialization had to undergo increasing modifications. This process began during World War I, accentuated during the crisis of the 1930s and culminated with World War II.

For Latin America, as for other underdeveloped areas, these changes provoked not only a crisis in the balance of trade, but also the rapid economic obsolescence of those sectors, previously the most dynamic, that had developed around raw material exports.

During the following long period, the underdeveloped countries found themselves relatively marginalized from the flow of world trade. The major industrial centers proceeded with their *own* production of raw materials, and the most dynamic portion of international trade tended to concentrate in that between the industrialized countries themselves. Increasingly, as quantitative indices illustrate, the underdeveloped world's participation in international trade declined, trade in industrial products predominated, and finally, industrialized capitalist countries became the primary exporters of raw materials.[2] Moreover, at the same time as the major capitalist countries were rapidly increasing trade among themselves, socialist countries were also increasing the volume of their own intra-bloc trade.[3]

IMPORT-SUBSTITUTION INDUSTRIALIZATION

These conditions forced a redefinition of Latin America's role in the world economy and in the nature of its international economic relations. Models of internal growth had to be adjusted accordingly, via the transition from specialization in raw materials production for export to industrialization through "import substitution" and programs designed to increase the size of the internal market. As in other comparable historical phases, the Latin American economies had to absorb the costs implied in these changes, costs which went far beyond decreased participation in world trade.

The disintegration of strategic sectors of the region's economic activities led to a number of phenomena: the premature obsolescence of productive installations, the abandonment of certain lines of production, growing unemployment, and even the appearance of "ghost towns" in the zones most directly affected by these changes.

Even so, import-substitution industrialization was not to provide a transition to more "autonomous" development. Raw materials production, though less dynamic than previously, continued to supply the greater part of exports from Latin America and the underdeveloped areas in general. Imports of low-cost (non-durable) consumer goods gave way to high-cost, high-technology consumer goods, intermediate products and capital goods. [Intermediate products are basically industrial inputs such as chemicals, petroleum products, etc. Capital goods refer to plant and equipment.] Foreign loans and investment in economic "enclaves" which had predominated in the earlier phase were replaced by direct investment in activities for which there was an *internal* demand—and which fulfilled the development needs of international capitalism.[4]

This is also the period in which the Latin American economies taken together registered the lowest ratio between the size of their external sector (i.e., the amount of production for exports) and the size of production for the internal market. [Since the relative increase in production to meet internal demand occurred via import-substitution industrialization, and since the latter required increased importation of high-cost goods, the value of imports rose dramatically relative to that of exports during this period.] The resulting "external bottleneck" [i.e., a shortage of foreign exchange reserves] is frequently cited as one of the most serious obstacles to growth. The fight for higher raw material prices, diversification of exports and franchises which would give access to markets in the major capitalist countries became persistent issues advanced by underdeveloped countries during international negotiations.

By the mid-1960s, it had become clear that both the prevalent pattern of international economic relations and the model for internal growth based on import-substitution industrialization no longer worker. Nonetheless, the critical consequences of this for all Latin American economies were mitigated—actually postponed—by a general intensification of international trade which continued unabated until the crisis of 1974-75.

Latin America participated fully in this temporary recovery. In various countries, export earnings achieved unprecedented levels and growth rates. Furthermore, there were significant changes in the composition of their export trade, tending toward much greater representation for manufactured goods.

Thus, these exceptional circumstances appeared to overcome the external bottleneck, reversing a long-term trend. Nonetheless, imports tended to grow even faster than exports; this accounted for a persistent deficit in the balance of commodity trade which led, in turn, to a constant increase in the level of foreign indebtedness.

A NEW ROLE FOR THE PERIPHERY

Before long, the world economic crisis ushered out this period of expansion, but some of its basic characteristics did persist. For example, exports continued to demonstrate a certain dynamism, manufactured goods formed an increasingly large part of exports, and there was a rapid and persistent increase in demand for imports.

It would certainly be an illusion to think that these trends depended primarily on factors *internal* to the functioning of the underdeveloped economies, or that they arose because the developed capitalist countries acquiesced to the demands of the underdeveloped world for access to external markets or a diversification of exports. Rather, we must accept the fact that deep-rooted problems, which were particularly noticeable during the present crisis, forced the world capitalist economy to redefine its model of accumulation in a direction which required important changes in the international division of labor. *The over-riding goal this time was to expand the use of "cheap" labor in dependent and underdeveloped areas to produce a greater range of goods for the international market.* As Raul Trajtenberg noted, this required that "a labor force be found which could be exploited under conditions which the modern evolution of capitalism had already negated in the advanced capitalist countries," and, consequently, the acceptance of "a new dimension to the role which the periphery would play in the evolution of advanced capitalism."[5]

This process, which is based on the increasingly widespread internationalization of capital and production, has redefined the geographic location of industrial plants producing for the world market. At the same time, it has served to increasingly impose control by the large transnational corporations.

Insofar as "cheap" labor is the essence of the phenomenon, the underdeveloped economies can become involved in such a process only under very specific conditions. But these conditions imply even stricter terms of dependence based on one fundamental and decisive element: the existence of an abundant and low-paid labor force, the key to the new model of capitalist accumulation on a world scale.

SO WHAT'S NEW?

This general analysis, and the profound social consequences implied by it, immediately raise a variety of questions. First, and most importantly, what, if anything, is really new in the recent trend? Certainly, the internationalization of capital as such is hardly new, since this process has been underway since the end of the last century when capitalism reached its imperialist stage.

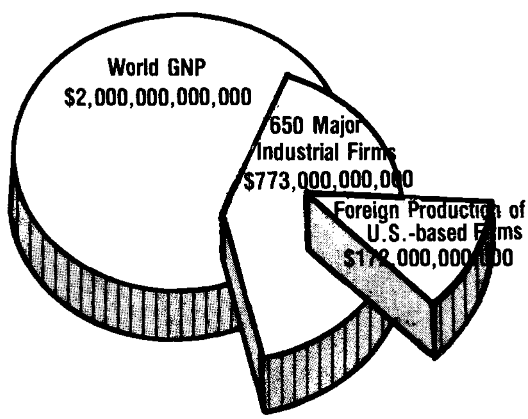
We can argue that, although the process is not a new one, what *is* new is the speed with which the internationalization of capital has been transformed into the predominant trait of the contemporary economy. It is clear that the concentration of capital accelerated at the start of World War II and that, since the 1960s, large transnational corporations have consolidated their power. It has been estimated, for example, that in 1967, transnational firms based in the United States and 14 Western European countries already had some 26,400 branches and a large number of subsidiaries. Similarly, recent calculations have concluded that the 100 principal economic units in the world are composed of 50 national states and 50 multinational firms.[6]

But, leaving aside the purely quantitative dimension, the central difference consists in the fact that, even though the internationalization of *capital is* not a new phenomenon, internationalization of the *production process* is. In other words, we can talk of the transition from internationalization of the circuit of commodity-capital and money-capital to the internationalization of the circuit of productive capital.[7] It is precisely this capacity to internationalize the production process which allows for a redefinition in the international division of labor. Sectors and branches in industrial production move to areas of lesser development; these areas become established as exporters of certain types of manufactured products; and, most importantly, labor-power in the underdeveloped countries is employed for industrial production destined exclusively or predominantly for the world market.

Understood in its broadest sense, the internationalization of production has already reached extraordinary dimensions. For example, Christian Palloix noted that

> In 1971, foreign production by different 'national' capitals ($330 billion) exceeded world exports ($311 billion). With a world capitalist GNP of $2,000 billion in 1971, the 650 major industrial firms had sales equal to $773 billion. Also, in 1971, the international production controlled by U.S. firms abroad was estimated to be at least $172 billion, which is *four times* the value of U.S. exports in the same year. In other words, for the United States, the internationalization of production was four times more than its export trade.[8]

INTERNATIONALIZATION OF WORLD PRODUCTION (1971)



For the purpose of this analysis, we are particularly interested in that part of the "internationalized" product which enters the world market through foreign trade operations, especially that part which materializes as manufactured exports from underdeveloped economies. In this, we must distinguish between the two forms in which internationalized production tends to take place. First, in what we can call a "general" form, industrial goods for export are manufactured in productive units spread throughout the whole productive apparatus of the country. Normally, these operations are closely or completely linked to transnational corporations. Second, in the "particular" form, industrial exports are manufactured by productive units operating under "exceptional" conditions. The two most widely used "exceptional" systems are assembly plants (*maquilas*), where products imported into a country are assembled for export, and "free trade zones," which are owned by transnational corporations.

[The *maquila* or *maquiladora,* which first sprang up along the U.S.-Mexican border in the mid-1960s, is a particular type of manufacturing operation increasingly located in underdeveloped capitalist countries. In these plants, imported components are assembled in a labor-intensive process, and then exported back to the United States (where the components originated) or to the world market. In this way, U.S. manufacturers are able to take advantage of high technology in the United States and low wages in underdeveloped countries.

The assembly plant "package" is tied together by two provisions of the U.S. Tariff Schedule, Items 806.30 and 807.00 These provisions grant U.S. manufacturers the right to export components to a foreign *maquiladora* for assembly and then re-import them for sale in the United States, paying duty only on the value added to the product abroad. Since labor is the chief ingredient "added" to the product, and since labor costs are low in all offshore host countries, duties are also very low.[9]

Free trade zones are enclaves in which the host government offers special tax breaks and other incentives to encourage foreign investment. Often *maquiladoras* are clustered in free trade zones. In these zones, taxes on profits are often reduced to an absolute minimum, postponed for decades, or simply abolished.[10]]

CHEAP LABOR AND INDUSTRIAL EXPORTS

In both its general and particular forms, the major impetus for internationalized production consists in the potential to use the labor force of the underdeveloped world for *industrial* production destined for the world

The garment shop, employing women at very low wages, is a typical candidate for the maquiladora.

market. Both forms are transitional, leading toward a new international division of labor. The extent to which this process has already spread is shown by data on the composition of, and changes in, world trade, particularly with respect to exports from "developing" countries, and the latter's share in the international trade of manufactured goods. These statistics are already significant enough to demonstrate that we are confronting a general process which is spreading rapidly to an increasing number of countries and which involves a large and growing segment of the labor force.

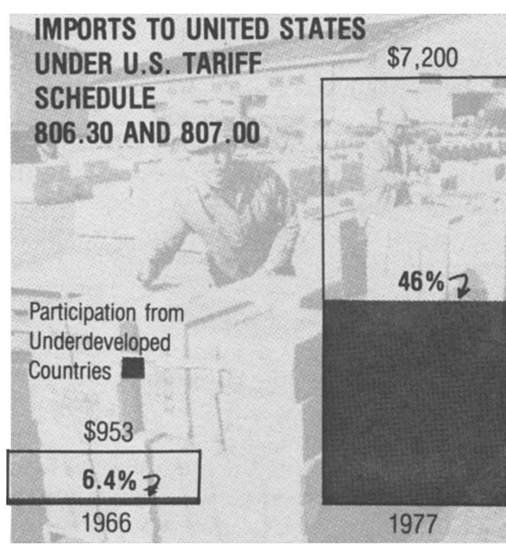
Within the general, and most widespread form, the internationalization process so far is relatively hidden and diffuse, except in a few countries. Brazil is the clearest example in Latin America, given the evolution of its exports in recent years. On the other hand, developments which have occurred in free trade zones or assembly plant operations are much more striking, and are also easier to evaluate because of their size.

Particularly regarding the latter form, the data gathered in a recent study by the Max Plank Institute in West Germany is very illustrative.[11] Leaving aside those industrial activities in underdeveloped countries which produce both for the internal market and for export, the study identifies the size and extent of free trade zones and "world market-oriented factories" (which may or may not be located in these zones). The study is based on 1975 data from 103 underdeveloped countries —33 in Asia, 44 in Africa and 26 in Latin America. It found that in 39 of the countries labor was employed in industrial production oriented for the world market. In 25 of those countries, production occurred in free zones, and in 9 countries, production exclusively for export also took place outside of such zones. And, if we add to this data projects still under development, we find "world market-oriented" industrialization projects in 51 of the 103 countries.

These activities employed at least 420,000 workers in Asia, 40,000 in Africa, and 265,000 in Latin America. Of this total of 725,000 workers, more than half a million were employed in free trade zones. And even this figure is low since it only considers productive units which produce *exclusively* for the world market, and *only* those which are foreign-owned. It does not include work undertaken in nationally-owned subcontracting firms.

Furthermore, this world market-oriented production was not limited simply to assembly tasks nor to a few particular branches of industry. On the contrary, it encompassed all of the 29 branches in the uniform international industrial classification with only two exceptions, beverages and tobacco.

Another recent study gathers equally telling evidence about the dimension and speed of this process by using figures on U.S. imports under Items 806.30 and 807.00 of the U.S. Tariff Schedule.[12] These figures show that total imports to the United States of goods assembled abroad went from $953 million in 1966 to almost $7,200 million in 1977. While in the early part of this period, only 6.4% of that total came from underdeveloped countries, in the later years this rose to 46%.



THE WHYS AND WHEREFORES OF INDUSTRIAL RELOCATION

A second set of questions now arises concerning the essential nature of this process—why it is so dynamic and what are its economic and technological needs. We must also explain why this process did not appear with an equal intensity in an earlier period.

We will also try to rank the factors which contribute to the internationalization of production. Industrial relocation involves a whole complex of factors, not all of which are equally important. For example, in the advanced capitalist countries, a growing concern with industrial pollution and environmental hazards has definitely led to increased emphasis on technological developments and investments to counteract these effects. But it has also fostered the relocation of the polluting industries to other (less developed) areas with the consequent "transfer" of the pollution. The underdeveloped areas are supposedly compensated for this by the fact that they now have a new productive activity in their country and the opportunity for a new line of exports.[13]

Nevertheless, without ignoring such factors, it is reasonable to assume that the most important causes of industrial relocation arise elsewhere, especially from current problems in the sphere of capitalist accumulation. There are two main reasons for this. On the one hand, a fall in the rate of profit arose because of long-term structural factors: the growing competition between the advanced industrial countries for markets, and the workers' tenacious defense of their wages and working conditions in these same countries.[14] On the other hand, massive investments are required by these countries in order to respond to new imperatives—the development of new energy sources and the fuller exploitation of maritime resources.

The fall in the rate of profit and the need for large investments are internal contradictions that confront the capitalist world and that call into question the basic models of accumulation operative the last few decades. In this context, changing the international division of labor becomes increasingly important in opening a new pattern of accumulation. This change implies, as we have seen, a more intensive and direct use of the enormous supply of "cheap" labor in underdeveloped and dependent countries, a relocation of that production oriented to the world market and an extension of free trade zones.

The difference in wage levels between advanced industrial countries and underdeveloped areas is, to say the least, dramatic. According to one of the above cited studies, the hourly wage of workers engaged in the assembly of electronic consumer goods in the United States is 4.4 times higher than the wage paid in Mexico, 2.8 times that in Japan, 11.8 times that in Hong Hong, and 18.2 times higher than that in Taiwan.[15] We can cite similar statistics for other categories of work.

With regard to the size of the available labor force, the International Labor Organization (ILO) found that, in 1975, there were approximately 33 million unemployed workers in underdeveloped countries and some 250 million underemployed. The resulting figure is about three and one-half times larger than the total number of people employed in the manufacturing industries of the developed capitalist countries (approximately 77 million in 1970), and it highlights the existence of an enormous industrial reserve army for the world capitalist economy.[16]

JOB SEGMENTATION

Of course it is not enough simply to speak of the availability of a reserve army of labor or the disposition to use it. Political and technical requirements must first be met. We should note at least the most important technical aspects before turning to the political issues. It seems to be precisely in the technical realm that a "new" situation is arising: there is a coincidence between the need to use "cheap" labor from underdeveloped areas and the practical viability of doing so.

In at least three areas, technological developments now exist that were not available earlier. First, even in relatively more complex activities there is a growing technical ability to "break-up" the productive process, separating out "segments" which require a higher input of skilled labor from those which, though highly capital-intensive, can be undertaken by unskilled or semi-skilled workers. Second, a more efficient transportation system (containerization, air freight, etc.) permits the geographical dispersion of those segments without prohibitive cost increases. And third, advances in communications, information and control techniques allow for centralized direction and administration of industrial complexes despite dispersed plant locations.

These three technological developments have created the material pre-conditions for a re-definition of the international division of labor and the position within it of the underdeveloped countries. Significantly, the underdeveloped countries still find themselves very far from their traditional goal of export diversification which is considered a primary path to autonomous development and national economic independence. On the contrary, for these countries, the process is leading to greater economic subordination, more pronounced dependence and heightened vulnerability.

Dependency is becoming more than dependence on imports, capital, markets or technology, factors which arise through a process of exchange and the unequal distribution of the benefits of production. Underdeveloped countries are now becoming part of the *productive chain*, a part of the very production process of the more advanced capitalist economies, and thus *participate* in the *actual functioning* of these economic systems. The periphery has become more than a source of surplus for the more advanced industrial countries. It functions as an integral part of a global system, as a segment of this system linked even to the most dynamic elements in the developed capitalist world. Thus, there is an element of truth in the recent insistence by representatives of the great capitalist powers that "interdependence" defines the latter's contemporary relations with underdeveloped countries. But obviously, this interdependence does not require that both sides be equal in terms of force or capacity to make decisions. Nor does it assume a "dialogue among equals." Rather, this interdependence requires the most complete subordination of the less developed countries as well as the development of structures which further deepen the denationalization of underdeveloped economies and the super-exploitation of their workers.

CONTROVERSIES AND QUESTIONS

As regards Latin America, it is critical to evaluate the significance of these trends for several reasons. The problems inherent in these new models of accumulation are accentuated in those economies which we can call "moderately developed," a category encompassing many of the Latin American economies. In addition, Latin America has increasingly become a favored site for the relocation of capital, as indicated by the direction of U.S. direct foreign investments over time.[17] And finally, in a number of countries in the region, these trends have provoked direct political responses with extraordinarily adverse social consequences.

Even so, there is still a great degree of controversy as to the future development of this trend. Some analysts consider the process as relatively limited and assume that a variety of

TRENDS IN U.S. FOREIGN INVESTMENT
($ Million)

	1967	1972	1977
Total U.S. Investments	**$59.5**	**$94.0**	**$148.8**
U.S. Investments in Underdeveloped Countries	**19.0**	**29.9**	**33.7**
% of Total U.S. Investments	*31.9*	*31.8*	*22.6*
U.S. Investments in Latin America	**12.0**	**16.6**	**27.7**
%of Total U.S. Investments	*20.2*	*17.6*	*18.6*
% of U.S. Investments in Underdeveloped Countries	*63.2*	*55.5*	*82.2*
U.S. Investments in Latin America by Industry			
Mining & Smelting	**$1.7**	**$2.1**	**$1.6**
Petroleum	**3.5**	**4.3**	**3.4**
Manufacturing	**3.6**	**5.6**	**10.0**
Other	**3.2**	**4.6**	**12.7**

Source: *Survey of Current Business*, September 1973 and August 1978.

factors will tend to curb its potential effects. They argue that these trends are relatively less important than the data would suggest, asserting, for example, that "the internationalization [of production] in pursuit of cheap labor is of secondary importance relative to the continuing expansion [of foreign capital in these countries] to control the import-substitution process."[18] They call attention to a predictable reaction within the industrialized capitalist nations themselves aimed at slowing this process. These countries now worry about becoming too dependent on manufactured exports from the less developed countries and fear, as well, the serious social effects of declining domestic job opportunities. Thus, paradoxically, the industrialized countries have become the new champions of protectionism.[19]

Opponents of our analysis have also argued that new advances in technology will lead to increasing mechanization of those productive processes which are still predominantly labor-intensive, and that this will produce a "productivity gap" wide enough to negate current wage differentials. Rather than a continued shift of work to underdeveloped areas, capital will once again be invested in more productive manufacturing processes in the advanced industrial nations.

Given these factors, they argue, this process will be relatively transitory. Or, at best, it will only occur in a very few branches of industry and only in a few, rather exceptional, locations. In other words, this trend will probably amount to little more than the development of a new kind of "industrial enclave" along the lines of previously existing raw materials enclaves.

ENCLAVES OR EXPORT-ORIENTED INDUSTRIALIZATION?

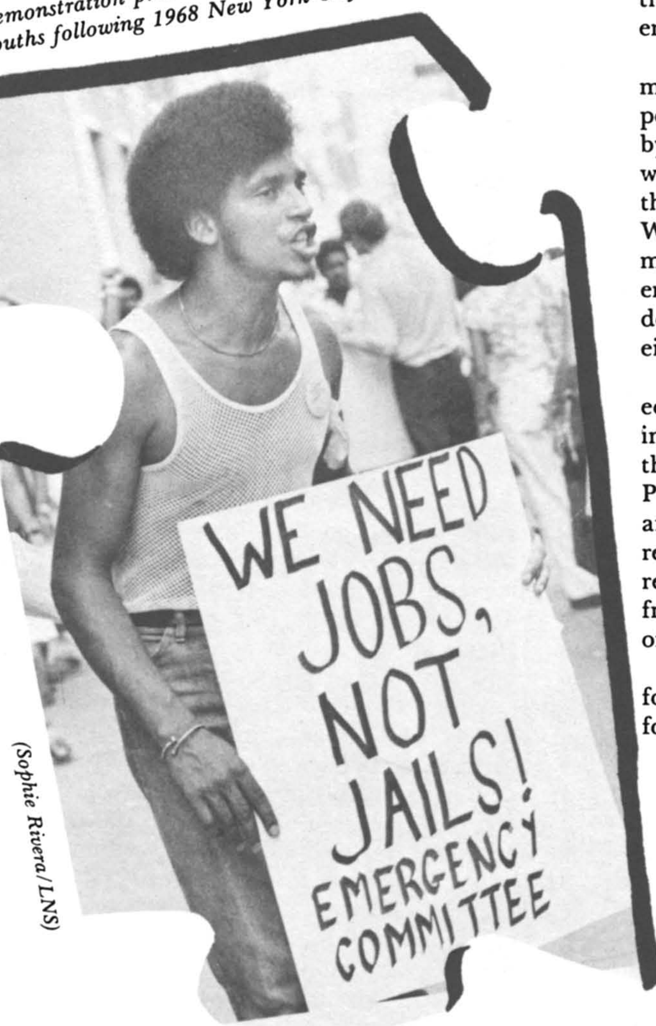
Such views are in total contrast to the increasingly widespread and empirically proven view that, in fact, we are confronting a much deeper, more significant process. True, one can point to occasional, partial contradictions in this trend, but these do not negate the fact that we are dealing with a very different system of international economic organization than we have known in the past. The central factor is the existence of irrepressible forces which have advanced the internationalization of production. These forces developed out of the dynamics and demands of competition, accumulation and the reproduction of capital, all of which are fundamental aspects of modern capitalism. In other words, these forces provide the foundation for a new model of capitalist accumulation on a world scale. For this reason, this process will not be limited, in the underdeveloped world, to particular industrial branches or specific locations. Rather, it will become the central element of the strategy which determines how these areas "fit" into a worldwide pattern of capitalist accumulation and, consequently, which models of accumulation they will adopt to guide their internal growth. Simply, it will gradually encompass the *entire* national economic system. Rather than "industrial enclaves," we must speak of "export industrialization."

Using this latter interpretation as a basic hypothesis, we can proceed to examine the effects of the internationalization of production on three main areas: (1) the distribution, composition and continuity of industrial employment; (2) working conditions, including what we can call the pursuit "to fully realize labor-power as a commodity;" and (3) the patterns of internal growth in the underdeveloped economies.

Industrial Employment

It is clear that major changes in the international division of labor will seriously affect current levels of employment. In the industrialized countries, the process of industrial relocation has reduced the system's capacity to absorb labor.[20] Thus, relatively high rates of unemployment may become a structural constant rather than a transitory characteristic of periodic recessions. In fact, since the low point of the recent crisis, productivity levels have recovered more rapidly than employment levels.

This is not to say that the more developed capitalist economic systems will necessarily absorb the effects of such unemployment. At least in the beginning, they can shift the effects of unemployment onto the stream of migratory labor entering their countries and the large mass of foreign workers already living there. This is not a minor point. In the near future it is likely to take on an extraordinary



emonstration protesting the arrest of third world
uths following 1968 New York City blackout.

(Sophie Rivera/LNS)

importance as one of the most notable social and political characteristics of the newly emerging models of capitalist accumulation.

Or to pose it another way, the immediate social consequences of these trends will fall back on the underdeveloped countries from which these workers originated, thus closing an historic migratory cycle which has always operated to the disadvantage of the underdeveloped countries. At one time, the powerful capitalist countries encouraged and attracted this immigration once internal sources of labor, arising from the decomposition of precapitalist modes of production, were exhausted. In the meantime, development patterns were imposed on the dependent countries which now make the reabsorption of this emigre labor force very difficult.

The issue is a significant one since these migration flows have reached enormous proportions. For example, according to estimates by the ILO, nearly six million migrant workers found work in Europe in 1974. Of these, three-quarters lived in France and West Germany.[21] In the United States, millions of legal foreign-born workers are employed, along with huge numbers of undocumented workers, estimated at five to eight times the number of legal immigrants.[22]

Events associated with the world capitalist economy's recent crisis clearly demonstrate international capitalism's intention to reverse the direction of this historic migratory flow. Proponents of such a policy have begun to argue that "the solution of the crisis implies a reordering of the sources of labor, and a restructuring of labor markers. . . within the framework of a new international division of labor."[23]

A study of migration and the situation of foreign workers in Western Europe drew the following conclusions:

> Unilateral measures to halt immigration have resulted in an almost total cutoff in the flow of immigrant workers from countries outside the European Economic Community (EEC). Almost 500,000 immigrant workers from outside the EEC entered West Germany in 1970 alone . . . . By 1975 this number, admittedly high, had fallen to 21,900, a level at which it stabilized in the succeeding years. . . . The number of foreign workers entering France also registered a dramatic decline. The figures for 1975 and 1976 are only a fifth of 1973 levels and about half the 1974 level.[24]

This is obviously a problem with enormous repercussions at the level of international economic (and non-economic) relations. But it also has serious implications for the internal social structure of the industrialized capitalist countries themselves, even though these implications are less immediate. Not all jobs currently in the hands of foreign workers can be transferred to domestic workers.[25] But it won't be long before the effects of the current crisis are reflected in the employment figures of the domestic work force. And, to the degree that this occurs, it is also likely to have a direct effect on the workers' ability to negotiate with capital in these countries. Thus, high rates of unemployment will be reflected in wages and overall income distribution in these countries.

Examined in this light, one can conclude that the process of industrial relocation inherent in the new model of capitalist accumulation is transforming the mass of workers in the underdeveloped world into a true "industrial reserve army" for the more advanced capitalist countries. This suggests that, in a purely political sense, we should reformulate our understanding of the objective common interests shared by workers in underdeveloped, dependent countries and the working class in the more developed capitalist countries.[26]

The Selling of the Working Class

From another point of view, one must recognize the importance of capital's increasing ability to control the location of industries. As technical restrictions on the internationalization of production are overcome, neither natural nor "external" economic factors will determine the location of industry. Increasingly, the abundance and low cost of labor will become determining factors.

This being the case, one can easily understand the desire expressed by governments in underdeveloped countries to offer capitalists the most "attractive" conditions possible, and these attractions include low wages and an unorganized working class.[27] By defining *"cheap" labor* as their major selling point, the governments of underdeveloped countries run the risk not only of forcing an extreme degree of exploitation of labor, but also of adopting a type of production which will result in deeper levels of underdevelopment and dependence.

The Dynamics of Internal Growth

Nevertheless, at least on the level of appearances, this new international division of labor has features which some claim can contribute positively to the internal growth of underdeveloped economies. These features include a diversification of exports, the opportunity to participate in the most dynamic areas of world commerce, new and more job opportunities, access to more advanced technology and a chance to expand their industrial base to more modern, high-technology activities. On this basis, underdeveloped economies would overcome the effects of the external bottleneck and would improve their foreign exchange accounts.

Each point merits separate consideration, particularly since this position has won adherents in Latin America even though it implies discarding deeply-rooted social and political values. However, we will limit ourselves to only a few general observations.

It is clear that even a rapid expansion of industrial production for the world market would have only limited effects on the serious problems of unemployment and underemployment which plague most of the underdeveloped world. True, the process seems to offer *additional* opportunities for productive employment. But, what is important is not the *immediate* contribution of this process, but rather, its *net* significance once its indirect effects are taken into account. From this point of view, given the general framework within which this process must unfold, there is basis for assuming that its aggregate effects are unfavorable.

In this respect, it may be useful to draw a distinction between assembly-plant and free-zone operations, on the one hand, and the more general "export-reconversion" forms, on the other. In the former, the direct, positive effects on employment are more obvious even though they are also more limited, while the indirect effects, given the "exceptional" nature of the activity, are less acute. In the latter, employment opportunities tend to be spread much more widely throughout the entire economic system. But for this very reason, the indirect effects of "export reconversion" are more serious. In the final analysis, the number of jobs created in the export sector are more than offset by the loss of jobs in internal market activities. This is because the general economic policies associated with export reconversion tend to lower workers' wages and, consequently, their purchasing power, to aggravate competition with locallyproduced products and to eliminate less efficient business activities in favor of large monopoly interests.

Furthermore, since only one segment of the productive process is "transferred," the additional job opportunities generally offer very little in the way of training or advancement. For the same reason, the fragmentation of complex productive processes into a series of basic operations does not provide effective access to technology to those who participate only in limited phases of the process. Transnationals and the advanced capitalist economies continue to maintain their privileged hold on technology.

The argument that this model will overcome the external bottleneck and improve the countries' balance of payments is equally tenuous. In assembly-plant or free-zone production, net income from foreign exchange is limited to little more than the equivalent of the wages of a poorly paid work force. Since assembly operations are only a partial phase of the productive process, they provide no backward-linkages [they don't encourage the local production of parts or raw materials that go into the final product] and no forward-linkages [any further elaboration of the product] other than those determined by the needs of the transnationals which put them there in the first place. What's more, since transnational corporations control the foreign aspects of these export operations, they can arbitrarily set both export and import prices. Thus, these transactions enter their books as the sales (exports) or purchases (imports) of their subsidiaries.

In sum, it is illusory to imagine that, just because more manufactured goods are exported, conditions of exchange between advanced capitalist countries and dependent, underdeveloped economies will be equalized. So long as the periphery's industrial exports originate within the context of capitalist exchange, and even more so within the terms of the new model of capitalist accumulation, exchange will continue to be a mechanism for the external appropriation of surplus value. In addition, in the case of certain industrial exports, the same features which formerly characterized the export of raw materials are reproduced. The new industrial exports have the same disadvantages in relation to the high-technology industrial goods which still must be imported: relative demand is still higher for imports than exports, and prices are relatively lower for exports than imports.

To suggest this conclusion is not to underestimate the importance of *any* process of export diversification. Much less is it an expression of nostalgia for older forms of world trade and of the international division of labor. Nor do we mean to discount, in the abstract, *any* form of "transnationalized" organization of production. We are referring to the specific form taken by capitalist accumulation on a world scale, its concrete effects on the international division of labor, and what this implies for the exploitation of labor in underdeveloped countries.

In essence, all of this suggests that, for the underdeveloped world, this process does *not* represent an historic opening toward autonomous industrial development, the advancement of the forces of production, or the adoption of new, more progressive social objectives. On the contrary, in the specific way in which it is emerging, "industrialization oriented toward the world market does not slow, but rather accentuates, the historic process of dependent development of the countries of Asia, Africa and Latin America. . . . It reduces industrial development to a horizontally disarticulated, non-complex process which produces highly segmented, uncoordinated products. It does not encourage the development of an industrial base which could, over time, meet the needs of the masses of the population."[28]

In conclusion, we must face the profound significance of a change in the international division of labor. And this is true whether we understand this in a limited sense—as a new type of industrial enclave—or in the broadest sense, as a new model of accumulation bearing the stamp of export-oriented industrialization. In *either* case, dependency is intensified and social inequalities heightened. And, given the political imperatives of a program which will force the further denationalization of underdeveloped economies and the superexploitation of their labor force, we can expect an increase in authoritarianism, repression and the separation of larger and larger sectors of the population from the political process.