

# Beyond the Multi-Fibre Agreement: How are Workers in East Asia Faring?

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**Abstract:** This article provides critical coordinates for considering implications of the termination of the Multi-Fibre Agreement for employment, wages and working conditions in selected East Asian countries. It starts by discussing first the main arguments on greater liberalisation initiatives for developing economies before analysing the evolution of the clothing value chain. The article eventually provides some justification for insertion of the selected countries to anchor the issue's subsequent articles.

**Keywords:** clothing, comparative advantage, East Asia, labour, value chain, work

**JEL classifications:** J21, J24, J31, L67

## 1. Introduction

Members of the World Trade Organisation (WTO) agreed in 1995 to end the Multi-Fibre Agreement (MFA) by 2004 but at the same time decided to open a window of opportunity for the Least Developed Countries (LDC) to enjoy preferential access. The developed countries began establishing preferential access to LDCs through the 'everything but arms' clause (European Union) and bilateral trading agreements. Several papers have examined implications of the termination of the MFA, which ceased from operation completely in 2004, for trade and technological capabilities of the developing countries. Lall and Albaladejo (2004) and Rasiah (2005a) examined the potential economic impact of China's stronger integration into the global economy on other developing economies. Rasiah and Ofreneo (2009) assessed the capacity of capabilities already evolved in selected Asian countries to sustain competitiveness in the long run.

Apart from examining the evolution of skills in firms (Rasiah, 1996) few papers document implications of the emerging topography of clothing value chains for Asian workers, especially in relation to wages and labour market conditions. While most of the trade literature tends to claim that greater openness

brought about by the WTO or regional platforms such as AFTA have actually accelerated economic progress and with that, economic development, little robust evidence exists on how the real conditions of workers have changed (Rasiah, 2005b). Often poor political leaderships prevent the development of absorptive capacities domestically or covert leaderships hamper the appropriation of benefits by workers. Efforts to drive social change through transnational instruments, such as corporate social responsibility (CSR), have also met with few positive results in some host-sites (Chong, 2010). While recognising the potential opportunities opened up by preferential access opportunities, Barrientos (2008) provided evidence of how the promotion of CSR practices has actually led to the abuse of vulnerable workers.

The purpose of this paper is to provide the critical arguments, industry anchor and industrial relations conditions for the launching of analytical papers on the labour processes in selected countries from developing East Asia.<sup>1</sup> The rest of this paper is organised as follows. Section two presents the main theoretical arguments regarding the potential consequences of greater integration with the global economy. Section three discusses the clothing value chain. Section four assesses the dominant industrial relations scenarios in East Asia so as to introduce some background to the empirical evidence examined within papers covered in this issue.

## **2. Theoretical Considerations**

Despite overwhelming evidence of problems with free market economics following the collapse of the United States and several developed economies from the 2008-09 global financial crisis, any discussion of foreign capital flows and its impact on labour cannot be complete without another review of the relative price theoretic predicated on efficient markets, as well as the Keynesian and neo-Marxist arguments on economic development. Whatever their consequences, foreign capital inflows have dominated manufactured exports from several developing countries. Examples include Singapore, Malaysia and Vietnam. Hence, this section analyses critically the main arguments regarding the impact of foreign capital flows on employment, wages and working conditions of developing countries.

### **2.1 Neoclassical Arguments**

The neoclassical argument of free labour markets is predicated on the assumptions that markets will always clearly involve economic agents enjoying symmetric relationships with the same urge to seek information, the same capacity to process and act, and that these agents are rational, and hence,

will not make the same mistakes twice (Lucas, 1977). Friedman (1968) had called for the market to be freed from interventions for it to play its role in coordinating supply and demand for establishing equilibrium in the labour market at the natural rate of unemployment. Interventions to create more jobs will only accelerate inflation. Hence, although the kinked Phillips curve is Keynes' invention it was appropriated strongly by neoclassical economists who became concerned with stagflation<sup>2</sup> since the early 1970s.

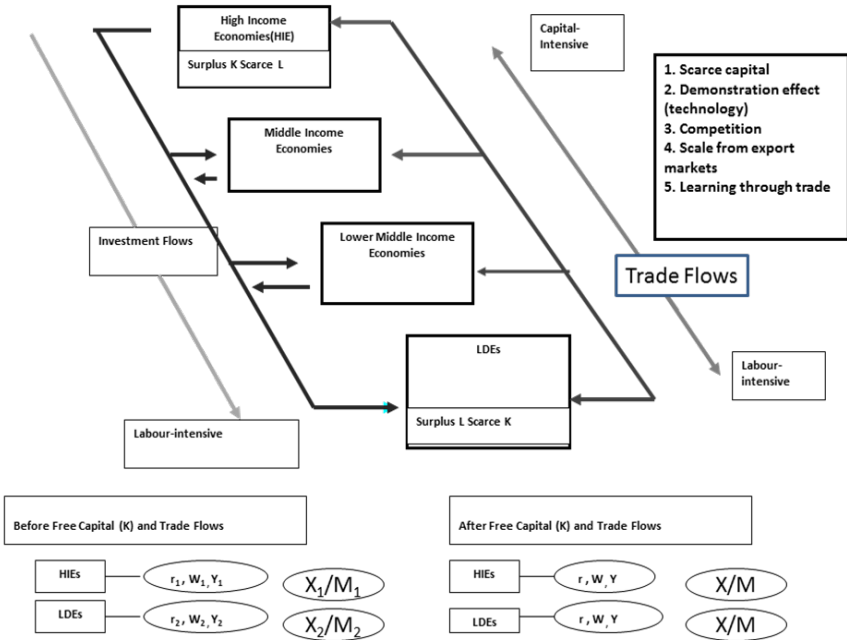
Relaxing the Heckscher-Ohlin assumption of perfect capital immobility but keeping the immobility of labour perfect would then generate the consequences Bhagwati (1975) had analysed. Rising inflows of FDI into the LDCs will lower interest rates ( $r$ ) as the supply of capital in relation to demand will rise, while wages ( $w$ ) would rise as the demand for workers would rise in relation to demand. Per capita incomes ( $Y$ ) will eventually equalise across the different sets of countries. Free exchange rates are considered to keep balance of payments close to zero in the long run as deficits (when imports [ $M$ ] exceed exports [ $X$ ]), and surpluses (when exports [ $X$ ] exceed imports [ $M$ ]) will clear with demand adjustments domestically and abroad (Fleming, 1962; Mundle, 1963). Hence, inflows of capital from abroad in the absence of impediments to capital inflows and trade will reduce unemployment and at the same time raise wages. In fact, Krueger (1980) and Belassa (1982) presented the successful economic development of Korea and Taiwan as having been achieved through liberalisation.

## **2.2 Keynesian Arguments**

Because Keynes (1936) considered markets to be imperfect and asymmetric, he encouraged governments to promote full employment. In advancing his logic of the kinked curve, Keynes assumed that unemployment rates of 5 per cent can be assumed to be reflecting full employment as the remaining 'unemployed' are considered to have made their choices voluntarily. Efforts to squeeze unemployment further will accelerate inflation. Apart from the short-run effects,<sup>3</sup> Keynes and subsequently Friedman appear to differ more only in that the former actively encouraged government intervention to raise employment because of market imperfections while the latter called for markets to establish the natural rate of unemployment. This line of argument to defend Keynesian logic to protect the interest of workers was continued by Tobin (1972) and Galbraith (1998).

Stiglitz (2010) and Akyuz (2010) later echoed concerns over unbridled liberalisation of markets which is recognised as the single most important cause of the 2008-09 global financial crisis. The massive share of capital over labour in value-added terms in the United States not only drove owners of capital to invest in unproductive speculative activities but in doing so left the labouring

**Figure 1: Neoclassical Thesis of Economic Convergence**



Source: Author.

masses vulnerable to retrenchment as the financial bubble crashed. Lim and Lim (2010) provide a long series of historical evidence to show that inequality in the United States had become a chronic problem before the crash.

While much of the work on the labour market has evolved through the Phillips curve – which picks up the relationship between inflation (money wages) and unemployment in the developed countries (Samuelson and Solow, 1960) – the Keynesian logic is very applicable to the LDC of Myanmar, which is dominated by high unemployment of labour. Under the current framework of highly underdeveloped markets, particularly because of political suppression and poor infrastructure, the existing equilibrium between labour demand and supply is established at very high levels of unemployment and underemployment. Indeed, as Kalecki (1971) had argued, developing countries are often faced with serious demand constraints, and hence, the stimulation of demand is critical to reduce unemployment and underemployment.

### 2.3 Neo-Marxist Arguments

Although the original Marx (1957) explained that industrial capitalism through the unity of the three circuits of money, production and commodity, evolves through relative rather than absolute surplus appropriation, much of the Marxist discussion on labour practices in the developing countries has been dominated by Leninist, *dependencia* or world systems analysts who, by focusing on only the circuits of money and commodity, argue that capital flows abroad expand the space for exploitation and transfer of surplus to the developed countries (Lenin, 1960; Baran, 1957; Frank, 1967; Jenkins, 1987; Rasiah, 1988).

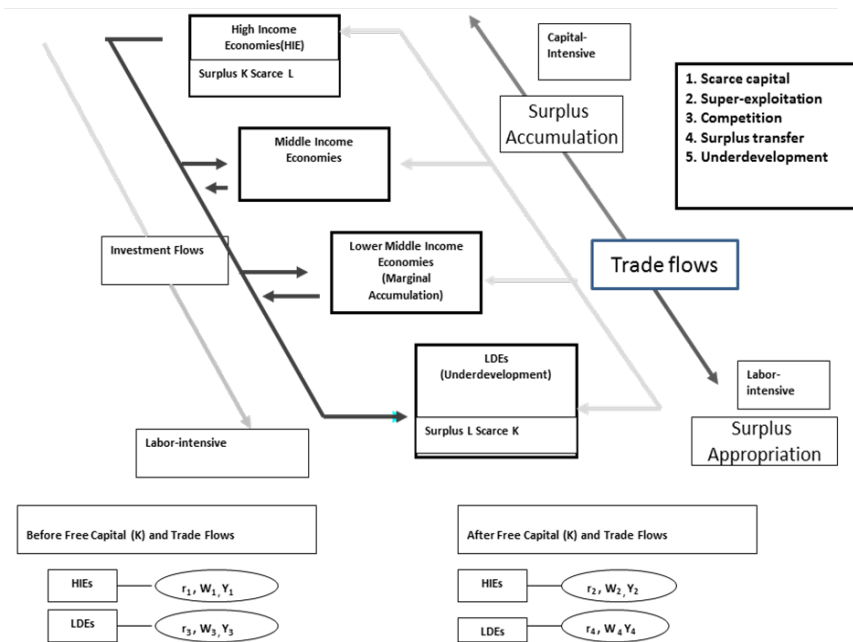
Amin (1976) and Froebel *et al.* (1980) explained how the international division of labour expands the space for valorisation and exploitation of labour. Whereas the Leninist argument advanced by Baran (1957) or Amin (1976) simply saw the functioning of the core and periphery with development and underdevelopment being the two opposite ends of the capitalist process, the world systems argument of Wallerstein (1979) introduced the semi-periphery, which is considered to generate marginal development in some countries by being the metropolises of the core. Extrapolating this argument to differentiate the world into four categories of countries to include the LDCs, Myanmar, being at the bottom of a vertical structure, can be expected to undergo underdevelopment with the surplus going to the countries in the groups above in the division of labour (Figure 2). Hence, integration into the capitalist system will exacerbate the differences in wages ( $w$ ), interest rates ( $r$ ) and per capita incomes ( $Y$ ) between the richer and the poorer countries.

While the empirical evidence does show some one-directional exploitative relations with the Sub-Saharan African economies so far facing stagnation with a divergence in wages, interest rates and per capita incomes against the richer countries, the successful graduation of the Asian Newly Industrialised Countries of Korea, Singapore and Taiwan, and rapid growth achieved by China, India and Vietnam through integration with the global capitalist system shows that poorer economies can evolve the capabilities to compete and develop within the system. In addition, as Palma (1978), Robinson (1933), Warren (1980) and Jenkins (1987) have pointed out, the mechanics behind neo-Marxist theories are seriously flawed with tautologies. Indeed, Warren's (1980) argument is consistent with the original Marx (1957), Luxemburg (1951) and Hirschman (1958, 1970) on how foreign capital and technology from abroad actually offers the opportunities for synergising the creative forces of accumulation in developing sites. The role of the national governments is viewed as critical in ensuring that capitalist appropriation of surplus sticks at host-sites (Hirschman, 1970; Warren, 1980).

However, the nature of accumulation at host-sites is driven strongly by institutions and institutional change that is directed to stimulate technological

upgrading from low to high value-added activities. As advocates of the global production networks (GPN) argue, the embedding of institutions is critical to support accumulation at host-sites (Coe *et al.*, 2008). Also, the accumulation process in developing sites has often been undermined by poor or corrupt host government policies, thereby allowing self-interested foreign capitalists to establish alliances with intermediaries who themselves bring little benefits to workers at host-sites. An example of a recent development is the extension of corporate social responsibility practices to the LDCs. Barrientos (2008: 977) argued convincingly that corporate social responsibility (CSR) advocacy, while allowing civil society organisations to pressure improvements on working conditions facing workers, also simultaneously exposes the vulnerable workers to abuse. Given the repressive political environment in Myanmar, workers can be expected to enjoy little democratic space to contest issues in their relations with the owners of capital.

**Figure 2: Neo-Marxist Thesis on Underdevelopment**



Source: Author.

### **3. Origin and Dispersal of the Clothing Value Chain**

The initial global expansion of clothing manufacturing in Britain benefited from deliberate colonial efforts to disrupt similar activities in India and in China. However, the destruction that followed colonial-led capitalist integration unintentionally created the conditions for the modernisation of clothing manufacturing in both India and China. Exports of textile and sewing machinery and equipment and the absorption of textile and clothing manufacturing technologies helped re-create production in India and China from the 19<sup>th</sup> century. Despite the disruptive nature of colonialism and capitalist integration, it created the environment for the import of capitalist production technology. Imports of British spinning and weaving machines helped cheapen yarn and fabric, allowing the expansion of clothing manufacturing in both China and India. This facilitated the emergence of modern local producers who were able to compete successfully in the value chain and then to participate in large scale production and exports. Competition from China, Hong Kong and India intensified, attracting tighter regulation through the Long Term Agreement (LTA) and the Short Term Agreement (STA) (Koo, 1982; Kuo, 2006).

There were also early forms of regulation on clothing imports in Western economies such as the short term agreement, the long-term agreement and the Multi-Fibre Arrangement (MFA) to regulate exports of textiles and garments into the developed countries (Froebel *et al.*, 1980; Bagchi, 1982; Chisolm *et al.*, 1986). These developments were accompanied subsequently by further competition from firms that grew rapidly from the 1960s in Korea and Taiwan and that also enjoyed the Generalised System of Preferences (GSP) until February 1988, followed by the integration of the Chinese economy within the capitalist system from the late 1970s. Clothing became a major generator of value-added, employment and export in the manufacturing sectors of the East and Southeast Asian rapidly industrialising countries at least until active efforts under the World Trade Organization (WTO) led to the removal of MFA quotas since 1995 (United Nations, 1987; Shoemith, 1986; Rasiah, 2005a; WTO, 2007).

Clothing manufacturing fell in economic significance in Hong Kong, Singapore, Korea and Taiwan from the 1980s as rapid economic growth drove production costs and the global regulatory framework removed trade preferences enjoyed by these countries. Accession to the WTO since its founding in 1995 and the gradual removal of MFA quotas that was completed in 2004 began to discourage clothing manufacturing in Indonesia, Malaysia, Philippines and Thailand. Rising production costs and tightening labour markets had also made Malaysia and Thailand less attractive for clothing manufacturing from the 1990s.

Although clothing manufacturing has driven strong employment absorption in Cambodia, Laos and Myanmar, these countries have enjoyed little upgrading (Rasiah, 2009a, 2009b; Myint, 2011; Myint and Rasiah, 2012). Firms in these countries lack training, process technology development, absorption of enabler technologies such as software control systems, and expansion in value chains. Governments in these countries often lack a coherent national policy to stimulate upgrading in firms – both foreign and local. Vietnam seems to be the only exception among the transition economies of Southeast Asia as the expansion of clothing manufacturing has been accompanied by diversification and deepening, made mandatory by Vietnamese Government policy. Also, more purposive efforts by Vietnamese town-level authorities have raised firm-level training (Rasiah and Chua, 1998).

Whereas clothing value chains have been driven by brand holders (Gereffi, 1999) upstream material developers enjoy control of textile value chains. Textile manufacturing typically begins with the preparation of fibre for the manufacture of yarn through spinning (Figure 3). Both natural (e.g. cotton and wool) and synthetic (e.g. polyester, nylon and acrylic) fibres are used to manufacture textiles. The yarn is then either woven or knitted into fabric. The dyeing process typically happens after fabric is woven but yarn is dyed before knitting is carried out. Fabric is then bought by another set of firms who manufacture garments. Japanese firms such as Toray and Kanebo specialise in the manufacture of synthetic fibres, spinning and woven textiles – with separate subsidiaries undertaking each of these processes. Firms such as Taiwan's Eastern Knitters specialise in knitted fabric using weft and warp knitting machinery. Clothing firms then purchase both woven and knitted fabric and carry out fabric scanning, clothing design, cutting, stitching and finishing (including pressing) of garments. These processes do not use computers when involving low value-added clothing so that humans dominate labour-intensive work over the entire set of stages. Higher value-added clothing often uses auto-scanning, computer-aided design and computer-aided manufacturing (CAD-CAM) machinery and equipment, auto-aided embroidery designs and auto-controlled stitching of sleeves and pockets.

Being a technology-using industry, advancements in materials technology (fibres) and advanced manufacturing technology (e.g. the use of information communication technology and computer-aided control in textile and clothing machinery and equipment) have been critical drivers of upgrading in clothing manufacturing. Logistics – the provision of infrastructure using shipping routes – has also been important in shortening delivery times.

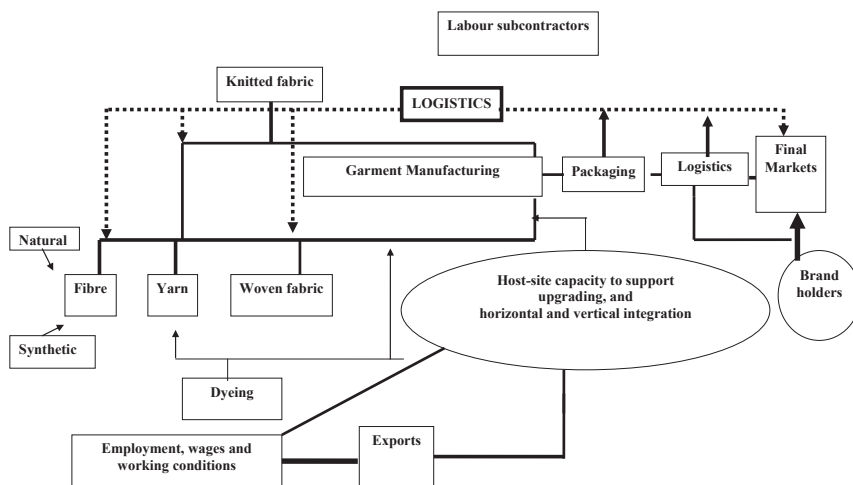
The first wave of clothing manufacturing firms relocating or starting new operations in poor countries often specialised in only cut, make and pack (CMP) operations. In some sites improvements in institutional capabilities



drove upgrading into higher value-added activities. The capacity for clothing firms to upgrade is often influenced by government initiatives to support training, utilise cutting-edge machinery and equipment and improvements in logistics to support quick delivery to final markets. The more advanced firms such as Pen Apparel and Soutex in Malaysia handle a wide range of activities in garment value chains, including manufacturing, packaging and delivery to the malls. Some firms in East Asia have ventured into their own brand names. However, leading brand holders in the developed countries still enjoy control of the popular and higher value-added brands such as Nike, Adidas and Levi Strauss (OECD, 2004).

While the GCC approach has offered a useful instrument to decompose and delineate control over value chains, it has hardly addressed the consequences of relocation from the angle of host-site structures (Whitley, 1996; Hollingsworth and Boyer, 1997; Hall and Soskice, 2001).<sup>4</sup> Quark (2011) considers the lack of institutional focus as a serious lacuna in the GCC approach. Host-site institutions and meso organisations are critical in attempting to comprehend how particular locations have received the relocation and experienced its consequences. Unlike the neo-Marxist argument that paints capitalist integration as generating deleterious outcomes from low wage operations, the success of Korea, Singapore and Taiwan does demonstrate that the opposite can occur if host-site institutions are strong, and the political structure is mature and led by effective industrial policies.

Three trends are visible in the export of clothing from developing East Asia since 1990 (Table 1). The first is the significant contraction of exports from the newly industrialised countries of Korea, Taiwan and Singapore from 1990.<sup>5</sup> Second, is the slow down or contraction in clothing exports from the second tier industrialising countries of Indonesia, Malaysia, Philippines and Thailand. Third, is rising export from China, Cambodia and Vietnam. Despite continuous expansion in exports, clothing's share in China's exports has fallen from 14.5 per cent in 2000 to 8.9 per cent in 2009. Clothing has become Cambodia's largest export, accounting for 70.8 per cent of national exports in 2009.

**Figure 3: Textile and Clothing Value Chain**

Source: Rasiah and Ofreneo (2009: 507).

**Table 1: Clothing Exports, Developing East Asia, 1990-2009**

	Exports (US\$ billion)			Share in National Export (%)	
	1990	2000	2009	2000	2009
Cambodia*		1.0	3.0	69.8	70.8
China#	9.7	36.1	107.3	14.5	8.9
Hong Kong, China@	9.3	9.9	0.6	42.2	3.4
Indonesia	1.6	4.7	5.9	7.2	5.0
Korea	7.9	5.0	1.4	2.9	0.4
Macao, China	1.1	1.8	0.3	72.8	28.0
Malaysia#	1.3	2.3	3.1	2.3	2.0
Myanmar*	0.0	0.8	0.5	48.6	7.5
Philippines#	1.7	2.5	1.5	6.4	4.0
Singapore@	1.0	0.5	0.2	0.6	0.1
Taipei, China	4.0	3.0	0.9	2.0	0.4
Thailand	2.8	3.8	3.7	5.4	2.4
Vietnam*		1.8	8.6	12.6	15.1

Note: \* includes secretariat estimates; # includes significant exports from processing zones; @ excludes re-exports.

Source: Extracted from WTO (2010: Appendix Table 11.70).

Hence, this issue focuses on the implications of the post-MFA period for labour in the economies of Malaysia, Philippines and Thailand, where the industry is still important (despite the setting in of contraction), the least developed countries of Cambodia, Myanmar and Vietnam, where the industry has become important (though Myanmar's exports have been derailed by economic sanctions from the United States in 2003), and the largest exporting country of China.

#### **4. Capital Labour Relations**

The labour process in parts of East Asia has been analysed by Limqueco *et al.* (1989), Jomo (1986), Jomo and Todd (1994), Rasiah (1988, 1996) and Ofreneo and Wad (2010). Most early works show evidence of exploitative asymmetric relations favouring capital (Muto, 1977; Shoesmith, 1986). Although evidence shows some improvements since the 1990s, the experiences are at most mixed. Whereas competition has driven skills upgrading and improved working conditions in electronics and clothing manufacturing in Singapore and Malaysia (Rasiah, 1988, 1993, 1996; Hutchinson and Brown, 2001), Rasiah and Chua (1998) and Ofreneo (2009) argue that workers still face oppressive conditions in countries such as Philippines and Thailand.

East Asia's clothing industries have poor industrial relations records, especially in the enforcement of international labour standards and respect for unions and collective bargaining. Quick changes in fashion and cut throat competition have driven a significant proportion of clothing manufacturing to low end transient activities. Most of the sub-contracting firms in the value chain utilise low skills and pay low wages, which allows them to hire and fire workers easily or to relocate quickly in countries offering enclave union-free work sites, usually export processing zones. This is further intensified by the proliferation of bilateral and regional FTAs which often force host developing countries to offer generous advantages for capital while neglecting the interests of labour (Barrientos and Smith, 2005). Firms engaged in low value-adding industries facing low profit margins often violate the basic conventions of the ILO. Instead of hiring and training local management staff, foreign firms targeting transient operations have transferred technical and supervisory personnel from China, Malaysia and Philippines to Cambodia, Myanmar and Vietnam. Clearly, the transitory and footloose nature of the clothing industry does not provide incentives for subcontractors to invest in human resources development and better labour relations practices.

The Bilateral Trading Agreement with the United States required that Cambodia observe the labour covenants of the International Labour Organisation (ILO), and hence, clothing firms in the country are officially required to set minimum wages, allow freedom of organisation (unionisation)

and the right to participate in collective bargaining and strikes. Minimum wages were introduced in the Southeast Asian countries of Cambodia, Indonesia, Philippines, Thailand and Vietnam by 2007, and will take effect in Malaysia from 2013.

Given lukewarm support from governments, it is not surprising that union density has always been low in the industry in most Southeast Asian countries. It is only in Singapore and Vietnam that union densities have been high (Rasiah and Chua, 1998). The termination of the MFA also weakened unions in the more developed countries in Southeast Asia as demand for workers fell and the remaining firms sought lower wage foreign workers. This, in turn, translated to less job and union security for workers in quota-dependent countries as has happened in Indonesia, Philippines and Sri Lanka. Official records show that Cambodia has a high rate of unionism because of the US-ILO “Better Factory” project (Appelbaum, 2005) but union bargaining positions are weak and the country has a record of violent labour rights repression (Clean Clothes Campaign, 2007). On the other hand, the highly-publicised Codes of Conduct (CC) supposedly imposed by global clothing buyers and retailers on their Asian sub-contractors have limited impact on the improvement of industrial relations (Rasiah and Ofreneo, 2009) because CC audits and monitoring are not done by the workers, much less the unions, and are conducted primarily in the context of preserving efficiency and profitability (Chang, 2004). Labour sub-contractors, thus, often scout several locations of the world labour market where worker abuse is commonplace, to get the cheapest production costs (Barrientos and Smith, 2005).

Overall, unionism and better industrial relations can only occur if there is transparency in the value chain, investors-locators are in a host country in the long haul, the governments treat the industry as part of a bigger value-adding and welfare enhancing project, and basic labour rights are observed. Given the power and information asymmetries in the labour market that often reduce workers to powerless positions (Galbraith, 1998) governments of East Asian countries must play a stronger role to ensure that firms’ operations take account of workers’ interests. This intermediary role has been noted in Singapore and Vietnam (Rasiah and Chua, 1998).

## **5. Issue Outline**

This special issue seeks to examine the consequences faced by clothing workers in selected developing countries from East Asia. Given that Japan, Hong Kong, Korea and Singapore are high income countries the focus of this issue is on the remaining countries of East Asia. Thailand and Laos were not included in the issue because of a lack of quality papers targeting labour market conditions.

This issue captures assessments from China, Cambodia, Indonesia, Malaysia, Myanmar, Philippines and Vietnam.

The next paper, by Jean Ruffier begins by examining China's textile industry in global value chains. Ruffier argues that the private Guangdong entrepreneurs built the Chinese clothing industry without experience in the consumer market and in designing, using original equipment manufacturing activities as the development path through low wages and low margins without much help from both national and local governments. By means of interviews Ruffier discusses the strategies China used to corner a big part of the world clothing market despite focusing on a small segment of the value chain. The paper finishes with some implications for the future of Chinese production in relation to its connections with Western markets.

The second paper, by Adrian Vickers examines clothing manufacturing in Indonesia, arguing that the official statistics on its continued exports mask the importance of external and internal factors in the changing nature of the industry since the 1990s. The paper highlights the lack of government planning and the divided nature of the industry with heavy concentration of large scale production in West Java and niche production located in smaller places like Bali.

The third paper, by Vicki Crinis examines the clothing industry in Malaysia from the 1970s, looking at the strategies deployed by manufacturers to cope with the end of the MFA and the effects of the 2008-09 global economic crisis on the industry. Crinis argues that clothing manufacturing in Malaysia is still confined to peripheral segments of the value chain and is heavily reliant on demand from the United States (US) and Europe. Hence, the collapse in demand from these countries arising from the global economic recession has caused factory closures and lay-offs in Malaysia. Based on interviews with industry experts, Crinis argues that clothing manufacturing in Malaysia is no longer competitive and unless there is technological deepening the industry will struggle to survive.

Rene Ofreneo documents the rapid growth of clothing manufacturing in the Philippines under the quota system of the MFA and its contraction thereafter, in the fourth paper. Ofreneo argues that the bilateral sector-focused free-trade between the United States and the Philippines targeted at the assembly of duty-free American-made textiles and their re-export to the American market is not necessarily a solution to the national garments crisis, given the realities in the global garments market and the weaknesses of clothing firms in the country. Ofreneo contends that the absence of a strategic industrial policy supportive of an integrated program of industrial development and upgrading is what contributed to the collapse of the Philippine textile industry.

In the fifth paper, Melanie Beresford and Laura Prota analyse the clothing value chain starting from the perspective of the village community from where

workers are recruited in Cambodia. Beresford and Prota show that the factory's hierarchical relationships are replicated within the village. Using network analysis they find that recruitment networks are largely controlled by factory supervisors and can become a mechanism of control over the labour process. Beresford and Prota show that the factory hierarchy can influence the pattern of capital accumulation and economic change in villages, which allows them to contend that value chains cannot be treated as if they end at the factory floor. In the process they offer convincing evidence to show that corporate social responsibility policies, whether state, corporate or buyer-instigated, cannot by themselves eliminate 'sweatshop' conditions.

In the sixth paper, Angie Ngoc Tran uses the Vietnamese textile and garment industry to examine the implications of Vietnam's strategy of relying on labour-intensive manufacturing to stimulate economic development and improvements to workers' welfare. Using empirical data and interviews with major stakeholders in this industry, she provides evidence to argue that rapid growth in exports and employment achieved by targeting the bottom rung of the global supply chain has limited firms' operations to low value-added activities and workers to non-livable wages. Nevertheless, Tran shows the potential benefits of developing domestic linkages in Vietnam and the power of workers-led strikes in raising working conditions. However, higher value-added and upgrading activities such as learning, skills training, and stronger collective bargaining are essential to stimulate improvements in wages, working conditions and economic development.

The last paper, by Myo Myo Myint and Rajah Rasiah (2012) examines the impact of foreign capital inflows on employment, wages and skills in Myanmar's export-oriented clothing industry. The paper argues that global developments driven by the World Trade Organisation have stimulated foreign capital inflows into Myanmar in export-oriented labour-intensive industries such as garment manufacturing. Despite a revival in exports through an expansion of demand from Japan, Myint and Rasiah argue that international economic and political isolation and poor infrastructure have left Myanmar workers vulnerable to the vicissitudes of capitalist exploitation. Women particularly in the country face an uncertain future as the poor working conditions include low wages, little exposure to training and transient work. They contend that the host-government has to step in proactively to ensure a friendlier integration into the global economy, and to provide the basic infrastructure and the bargaining power required to leverage improvements to the working conditions of clothing workers in Myanmar.

The issue as a whole has established a number of salient conclusions regarding the end of the MFA. First, despite rapidly expanding their share in global exports, garment firms in China are still confined largely to labour-

intensive, low value-added activities. Second, the end of the MFA has eroded the capacity of countries such as Indonesia, Malaysia and Philippines to retain strong participation in garment manufacturing because the embedding institutions are not capable of stimulating upgrading to high value-added operations. Third, integration with the global economy offers opportunities, but institutions and institutional change are essential for firms and workers to upgrade to ensure continuous improvements in value-added and working conditions.

## Notes

- 1 For brevity the term East Asia is used in this paper to include both the East Asian and Southeast Asian countries.
- 2 Stagflation refers to a situation where economies face stagnation and high inflation simultaneously, which is atypical of the inverse relationship between the two posited by the Phillips curve.
- 3 Neoclassical and Keynesians share the long run relationship of the Phillips curve between money wages and unemployment, i.e. a line parallel to the right of the money wages (inflation) axis, which cuts unemployment perpendicularly.
- 4 The GCC approach very much focuses on the dynamics of control within the microcosm of the firm or a set of firms without significant discussion of the embedding power structure, and the institutions and meso organisations prevailing at host-sites to pursue accumulation.
- 5 The contraction actually started from the 1980s (see UNCTAD, 2010).

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