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

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Employment for Women and Social Policy

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SUGGESTIONS AND CRITICAL FEEDBACK APPRECIATED**

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Globalization, Export-oriented Industrialization, Female Employment and Equity in East Asia

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.

* I am most appreciative of Shahra Razavi's patient editorial encouragement and help, going well beyond the usual responsibilities of a volume editor, as well as of Cristina Paciello's assistance in preparing the tables on female manufacturing employment. Needless to say, I am otherwise solely responsible for this paper.

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 Gerschenkron 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 options for others seeking to grow and industrialize on a similar basis.

Industrial Policy and the East Asian Divide

It is true that all High-Performing Asian Economies (HPAEs) have experienced unprecedented growth and structural transformation in the last few decades (see Jomo 2000: Table 1). However, while the East Asian economies all achieved export-oriented industrialization, they did so under different circumstances. Japan and

promote industrialization presents itself (Amsden, 2001). Taking on board Gershenkron's original insight that the chronological order of industrialization matters, Amsden restates Gershenkron's aphorism thus: "the later a country industrializes in chronological history, the greater the probability that its major manufacturing firms will be foreign-owned" (2001:286).

others in the Northeast Asian region have hardly pursued 'open economy' policies. In fact, the Japanese, South Korean and Taiwanese governments supported import substituting industrialization policies from the fifties, and then went on to encourage an export oriented approach *as well*, in order to ensure that their industries quickly became internationally competitive.

More importantly, in many cases, infant industries were provided with effective protection conditional on export promotion, which had the effect of forcing the firms and industries concerned to quickly become internationally competitive. By giving firms protection for certain periods, depending on the product being made, and by also requiring that they begin exporting certain shares of output within similarly specified periods, strict discipline was imposed on the firms in return for the temporary trade protection they enjoyed. Such policies forced firms to push down their own production costs as quickly as possible, e.g. by trying to achieve greater economies of scale and accelerating progress up learning curves. Requiring exports has also meant that producers had to achieve international quality standards quickly, which imposed pressures to progress technologically in terms of products as well as processes. With strict discipline imposed, but also some flexibility in enforcement, many of these firms managed to rapidly achieve international competitiveness.

The strategy of temporary effective protection, conditional upon export promotion, can hardly be equated with trade liberalization. Recent criticisms (Baer, Miles and Moran 2000) of attempts by an earlier generation (e.g. Ian Little, Jagdish Bhagwati, Anne Krueger) to accommodate the Northeast Asian experience within their fundamentalist free trade advocacy paradigm, have exposed the intellectual sophistry of neo-classical trade economists in trying to explain away the Northeast Asian success in export promotion in conjunction with national market protection.

The experiences of Malaysia, Thailand and Indonesia, as well as Hong Kong and Singapore, more closely approximate the export-led model of growth envisioned by the World Bank. Compared to Japan, South Korea and Taiwan, they were undoubtedly much more open to global markets, both in terms of trade and investment. And it is not surprising that Malaysia, Thailand and Indonesia (the Southeast Asian three, or SEA3) are recommended by the World Bank as the most appropriate examples for other developing countries to emulate.

Not only has Southeast Asia engaged in greater trade liberalization than Northeast Asia, but it has also depended far more on foreign direct investment (FDI). In the case of Singapore, for example, FDI has constituted about a quarter of gross domestic capital formation. In the case of Malaysia, the proportion has been about 15 percent. At the other end of the spectrum, in Japan and South Korea, the percentage has long been below two percent. Some of the other countries fall between these two extremes, with very few near the mean for developing countries of around five percent. Those most successful in developing industrial capacities and capabilities in East Asia—namely Japan, South Korea and Taiwan—have hardly depended on FDI, which has only played a relatively small role (Jomo et al. 1997).

Yet, it is important to underline the role of industrial policy even in the more 'market-friendly' Southeast Asia. Although often problematic, the role and contribution of industrial policy instruments in the development of the SEA3, especially in the last three decades, is undeniable (Jomo *et al.*, 1997). Despite all the flaws and abuses involved, there is now little doubt that the structural transformation and industrialization of these economies have gone well beyond what would have been

achieved by exclusive reliance on international market forces and private sector initiatives. Insofar as deregulation and some other aspects of economic liberalization may weaken the incentive to further invest in the national economy, as happened in Indonesia even before the 1997-98 crisis, it may weaken capital accumulation within the national economy, as there is no guarantee that liberalization measures will consistently ensure greater net investment inflows.

The SEA3's experiences with industrial policy offer several important lessons for other developing countries seeking to industrialize. Many such efforts may be constrained by the small initial size of domestic markets, the weaknesses of the national industrial entrepreneurial community, managerial expertise, technological capacity and international marketing networks, as well as domestic and external pressure to liberalize. Foreign investments and the temporary use of foreign human resources (e.g., consultants) have allowed SEA3 to compensate for their own resource inadequacies. While making efforts to attract foreign investment, host governments can also influence such investments to maximize gains for the national economy, particularly in the form of higher incomes and technology transfer. The leverage of host governments can often be enhanced by the presence of more foreign investors from varied sources, both in diverse as well as competitive activities.

The point to emphasize is that even in the SEA3, export-oriented labour-intensive manufacturing by foreign investors *did not and does not* develop spontaneously with the availability of cheap labour, free trade and the absence of capital controls. Besides the provision of infrastructure and primary education, other supportive conditions (e.g. cultural and linguistic affinities, law and order) and policies (e.g. incentives including tax breaks and subsidies, education and training, investment and export promotion) have often been decisive in changing a country's investment environment to attract desired foreign investments.

In sum, industrial policy has been far more extensively deployed in Japan, South Korea and Taiwan, than in the SEA3. The success of such industrial policy is reflected in the greater industrial and technological capabilities of the former compared to the latter. It is also rarely recognized that Japan, South Korea and Taiwan, selectively attracted some kinds of foreign investment and repelled others. Hence, FDI has accounted for a much more modest share of gross domestic capital formation (GDCF) in Northeast Asia than is the norm for developing countries, whereas FDI has been far more important in Southeast Asia, especially in Singapore and Malaysia, partly for political reasons. Yet, even in the Southeast Asian HPAEs, all with higher-than-average ratios of FDI to GDCF, there has been significant regulation of FDI (Felker and Jomo 1999).

Regional Dynamics

There is clearly an important pan-East Asian dimension to much of the recent economic growth in the region and the underlying relations involved. Not surprisingly, much of this coincides with Japan's wartime 'Greater East Asian Co-Prosperity Sphere' and perceived post-war sphere of influence. After the war, Japanese industrial recovery eventually led to the search for external markets in the region, and with post-war de-colonization, Japanese firms increased their market shares in the region by taking advantage of the former colonies' import-substituting industrialization strategies, especially from the 1960s onwards. Subsequent relocation abroad by Japanese firms to reduce production costs was accelerated by

the strengthening yen. Thus, Japanese firms increasingly became part of the export-oriented industrialization strategies of East, especially Southeast, Asia, particularly after the endaka (or yen appreciation) of the mid-1980s. The appreciation of the currencies of the other East Asian NIEs (except for Hong Kong, which has been tied to the US dollar since the early 1980s) since then has also encouraged the relocation of manufacturing facilities into lower-cost sites in Southeast Asia, China and elsewhere, resulting in an apparent regional economic integration with many novel features. Southeast Asian economies have thus been well placed to benefit from such investments, and government industrial policies have sought to co-ordinate such relocation. However, the flows of Taiwanese investments to South Africa and of Singaporean investments to Bangalore, India during this period suggest how politically-influenced such investment decisions have been and can be, and how other host governments can create the conditions to attract such investments.

The recent proliferation of growth triangles in Southeast Asia suggests that such co-ordinated industrial policy initiatives recognize and seek to gain advantage from economies of proximity and agglomeration as well as international divisions of labour in regional settings. Firms could then respond to new opportunities offered by regional agglomeration and perhaps new scale economies as well as national comparative advantages, by locating different processes in neighbouring countries. Such regional integration would also be attractive to firms anticipating regional economic co-operation, e.g., in the form of the ASEAN (Association of Southeast Asian Nations) Free Trade Area (AFTA). Small countries can also gain by co-ordinating their industrial policy efforts so as not to undermine one another's efforts and not to reduce their leverage vis-à-vis investors.

Regionalization is often identified as an aspect of globalization. While the strengthening of regional interactions undoubtedly represents a form of internationalization, which may well undermine national authority, it may also undermine globalization, in the sense that regional groupings often privilege interactions within the region at the expense of freer global interactions. For instance, regionalization may well be favoured by firms seeking to capture greater economies of scale than those offered by national markets, but which still wish to avoid full-blown competition at the global level, to which they may well expect to succumb. For example, the 1992 agreement to form an ASEAN Free Trade Area (AFTA)—which had been resisted by most Southeast Asian governments for a long time—has served to postpone greater trade liberalization with economies beyond the region, as well as enabling firms in the region to achieve greater scale economies for their import-substituting firms in regional markets in anticipation of inevitable trade liberalization.

Export Oriented Industrialization: A Note

As discussed above, successful export-oriented industrialization in East Asia did not occur spontaneously in open economies, but had to be induced—in various ways and to different degrees—by pro-active government interventions. It is therefore useful to distinguish between two paths to export-oriented industrial production.

For most of the advanced industrial economies in the world as well as some newly industrialized economies, export production was necessitated by the limited size of domestic markets and the need to achieve economies of scale, so important in many branches of industrial production. Generally, such industrial production began for local and regional if not national markets, and progressed—at different paces and in

various circumstances—to penetrate external markets. Not surprisingly then, there is an almost inverse relationship between the size of the domestic market and the share of exports in industrial output.

However, in the case of late industrializing economies such as South Korea and, to a lesser extent, Taiwan, such a transition was deliberately accelerated by developmental state strategies, most notably providing temporary (effective) protection to emerging import-substituting industries and firms on condition that such firms promoted exports as quickly as possible, i.e. effective protection conditional on export promotion. Thus, import substituting (IS) and export-oriented (EO) industrialization strategies were *linked* to ensure that import-substituting infant industries quickly graduated into export production no longer dependent on protection and other state support. Requiring exports thus became a disciplinary mechanism to ensure that infant industry production quickly became cost-efficient as well as acceptable in terms of quality in competitive international markets.

However, there has been another route to export-oriented industrialization (discussed in detail in some of the other contributions to this volume) that has been strongly promoted by the World Bank and other similarly oriented agencies since the 1960s. Not unlike the export-oriented enclaves of primary production reminiscent of the colonial period, similar enclaves called export-processing zones have been encouraged. Such enclaves—often known by various names such as ‘free trade zones’—have allowed host governments to exempt these areas from the customs regulations affecting the rest of the national economy, which have often been developed to support import-substituting industrialization. Such zones also provide special infrastructure and other facilities to prospective—usually foreign—investors as well as the prospect of agglomeration economies and other advantages. Not surprisingly, the very success of this strategy has resulted in an ‘industrial dualism’, with two manufacturing enclaves co-existing side by side in national economies, often with few linkages to each other as well as the rest of the national economies. Thus, while import-substituting industries often remain internationally uncompetitive, with their growth constrained by the size of the domestic market (or the regional market when regional customs unions or common markets have been established), the constraints on export-oriented industrial growth are rather different.

2.2. The Employment Record in East Asia: 1980s and 1990s

The United Nations (1999) has noted that female employment in the developing world has generally been increasing more rapidly than male employment and that export-oriented industries are more feminized. However, it also notes that since the late 1980s, ‘in many middle-income countries the demand for women’s labour in manufacturing has been weakening, as export production became more skill- and capital-intensive’ (United Nations 1999: 9), though it is not clear why de-feminization necessarily follows from greater skill or capital intensity. As examples of this trend, it cites Singapore, Taiwan and South Korea. In South Korea specifically, it notes that ‘the composition of the workforce in the electronics industry has changed in favour of male workers, as production in this sector shifted to more sophisticated communication and computer products’, besides noting a similar trend with *maquilas* in Mexico.

Table 1 shows the rising percentage of women in industrial/manufacturing employment over time in the early stages of labour-intensive industrialization, reflected in the rising proportion of the labour force in industry/manufacturing. As the

East Asian NIEs achieved full employment, the tightening of the labour market triggered a rise in wages and other labour costs, and thereby encouraged greater structural change and shifts away from labour-intensive manufacturing employment which was predominantly female. The decline in manufacturing employment set in for the first-tier or first-generation East Asian NIEs by the mid-1980s, encouraging them to relocate low-skill labour-intensive production to the rest of Southeast Asia and China from the late 1980s. Such relocation was encouraged by two other developments from the mid-1980s: first currency appreciations, and second, retaliatory actions from countries that were the targets of the highly successful export drive from this region.

With the exception of the Hong Kong dollar that was pegged to the US dollar from 1983, and the Southeast Asian currencies which were informally pegged to the US dollar², the currencies of the other East Asian NIEs, most notably South Korea and Taiwan, appreciated with the yen against the US dollar after the *endaka* or yen appreciation that followed the G7 Plaza Hotel accord of September 1985.³ These currency appreciations had the effect of pushing the first wave of Northeast Asian direct investment into Southeast Asia (most notably Thailand, Malaysia, and Indonesia), while the low wages in Southeast Asia provided the pull factor that attracted the investments.

The withdrawal of General System of Preferences (GSP) privileges under the General Agreement on Tariffs and Trade (GATT)—from the first tier East Asian NIEs—was the second contributing factor that encouraged such relocation.⁴ The export success of the first tier NIEs—which entailed continuously increasing international market shares—was behind this retaliatory measure. The ensuing Southeast Asian boom in the late 1980s and early 1990s achieved near full employment, especially in Malaysia and Thailand, attracted labour immigration, especially from neighbouring countries, and raised wages and other labour costs as in the first-tier NIEs earlier, resulting in similar relocations to Vietnam, China, India and elsewhere of foreign as well as domestically owned manufacturing capacities in the region.

The Appendix Tables on women's employment in various industrial sub-sectors suggest that female labour shares have been highest in relatively low-skill, labour-intensive and often export-oriented manufacturing. Appendix Tables 1a to 1f show manufacturing employment growing rapidly at different times in different economies, and then declining in the more industrialized economies. The tables also show the changing share of women in the manufacturing labour force. Appendix Tables 2a to 2e show female wages as a share of male wages in the same economies during the 1980s and 1990s except for Indonesia. Appendix Tables 3a to 3d show the percentage of women employed in various manufacturing sub-sectors and the share of the manufacturing workforce in the sub-sectors from the seventies.

² Unlike the official peg of the Hong Kong dollar to the US Dollar from 1983 through a currency board system, the Southeast Asian currencies were kept within a fairly narrow range against the US dollar through central bank efforts. The Indonesian rupiah devalued slightly every year while the Malaysian ringgit and Thai bath remained steady until July 1997.

³ Through the Plaza Hotel accord of 1985 Japan was forced to appreciate its currency vis-à-vis the US Dollar in order to reduce the Japanese trade surplus with the US.

⁴ The GSP was introduced in GATT in 1970. It gave special concessions to developing countries in their export markets, and also gave them more freedom to protect certain sectors. The GSP agreements tended to be for ten years, but they have not been revised significantly since 1986 (Ghosh and Chandrasekhar, 2001: fn.8).

In South Korea, manufacturing's share of total employment rose from 6.3 per cent in 1960 to 13.1 per cent in 1970, 21.5 per cent in 1980, reaching a peak of 27.8 per cent in 1989 before declining to 19.7 per cent in 1999. During this period, the female share of manufacturing workers rose from 26.6 per cent in 1960 to 32.9 per cent in 1970, 39.0 per cent in 1980, 42.6 per cent in 1990 before declining to 35.3 per cent in 1999. Female wages as a share of male wages in manufacturing rose from 45.1 per cent in 1980 to 55.3 per cent in 1999.

In Hong Kong, manufacturing's share of total employment rose from 39.5 per cent in 1961 to 46.1 per cent in 1971, before declining to 42.1 per cent in 1980, 27.6 per cent in 1990 and 11.4 per cent in 1999. During this period, the female share of manufacturing workers rose from 32.8 per cent in 1961 to 41.7 per cent in 1971, 45.2 per cent in 1980, and peaking at 48.4 per cent in 1982 and again 1984, before declining to 37.7 per cent in 1999. Female wages as a share of male wages in manufacturing rose from 77.7 per cent in 1982 to peak at 86.9 per cent in 1998.

In Singapore, manufacturing's share of total employment rose from 13.9 per cent in 1957 to 19.7 per cent in 1970, 29.2 per cent in 1980, reaching a peak of 30.3 per cent in 1981 before declining to 20.9 per cent in 1999. During this period, the female share of manufacturing workers rose from 18.2 per cent in 1957 to 33.6 per cent in 1970, 46.0 per cent in 1980, 47.2 per cent in 1987 before declining to 40.2 per cent in 1999. Female wages as a share of male wages in manufacturing rose from 61.5 per cent in 1980 to 64.7 per cent in 1984 before declining to 59.3 per cent in 1999.

In Malaysia, manufacturing's share of total employment rose from 16.0 per cent in 1980 to 19.9 per cent in 1990, reaching a peak of 23.3 per cent in 1993 and again in 1997, before declining to 22.5 per cent in 1999. During this period, the female share of manufacturing workers rose from 38.2 per cent in 1980 to a peak of 47.6 per cent in 1990, before declining to 40.3 per cent in 1999. Female wages as a share of male wages in manufacturing rose from 47.5 per cent in 1983 to 62.9 per cent in 1999.

In Thailand, manufacturing's share of total employment rose from 3.4 per cent in 1960 to 5.1 per cent in 1971, 7.9 per cent in 1980, 10.1 per cent in 1990 and 13.6 per cent in 1999. During this period, the female share of manufacturing workers rose from 37.6 per cent in 1960 to a peak of 50.4 per cent in 1991 before declining slightly to 49.3 per cent in 1999. Female wages as a share of male wages in manufacturing rose from 63.8 per cent in 1991 to 68.2 per cent in 1995.

In Indonesia, manufacturing's share of total employment rose from 5.3 per cent in 1961 to 6.5 per cent in 1971, 9.0 per cent in 1980, 10.1 per cent in 1990, reaching a peak of 13.2 per cent in 1995 before declining to 11.3 per cent in 1998. During this period, the female share of manufacturing workers rose from 37.5 per cent in 1961 to 42.6 per cent in 1971, and a peak of 47.8 per cent in 1982, before declining to 44.8 per cent in 1997.

While the manufacturing share of total employment has begun to decline in the three first generation East Asian newly industrialized economies of Hong Kong, Singapore and South Korea from 1971, 1981 and 1989 respectively, the same cannot be said of the three second-tier Southeast Asian newly industrializing countries of Malaysia, Thailand and Indonesia, with the possible exception of Malaysia, which began absorbing more labour into manufacturing much earlier than the other two.

The female proportion of manufacturing workers peaked at different times in the different economies: 1982-84 in Hong Kong, 1989 in Singapore, 1990 in South Korea and Malaysia, 1991 in Thailand and thrice (1976, 1982 and 1993) in Indonesia. The recent declines in the female share of manufacturing labour in Thailand and Indonesia have been modest, compared to the sharper fall in Malaysia. While the sequence seems to follow that for the peaks in manufacturing's share of total employment, there is no clear pattern in relation to the timing.

Thailand has had a majority of women in the manufacturing labour force for the years 1986 to 1994, i.e. the only years for which data are available. There was a brief female majority in Malaysia during 1990-92, while the female share in Indonesia exceeded 45 per cent during the mid-1990s. In South Korea, Malaysia, Thailand and Indonesia, textiles, wearing apparel, footwear, rubber products, electrical machinery, professional scientific equipment and other manufactures had a majority of women workers in at least some years, though only wearing apparel has consistently had (much) more women.

In South Korea, there was also a female majority in some years in 'pottery, china and earthenware'. In Thailand, this was also true for food products, tobacco, leather and leather products, other chemicals, plastic products, as well as pottery, china and earthenware. In Malaysia, this was the case for tobacco, leather and leather products, plastic products as well as pottery, china and earthenware. In Indonesia, tobacco, other chemicals, plastic products as well as pottery, china and earthenware were in the same category.

Female wages as a share of male wages in 1999 were lowest in Korea (55.3 per cent from 45.1 per cent in 1980), followed by Singapore (59.3 per cent from 61.5 per cent in 1980!), Malaysia (62.9 per cent from 47.5 per cent in 1983), Thailand (68.2 per cent in 1995 from 63.8 per cent in 1991) and Hong Kong (84.1 per cent from 77.7 per cent in 1982). For the five economies with data, only Singapore saw a reversal of the closing of the gender wage gap from when it peaked at 64.7 per cent in 1984.

South Korea, Malaysia, Thailand and Hong Kong had significantly less wages paid in their manufacturing sectors to women compared to men, but saw these gender wage gaps closing over time. Although the gender wage gap has been least in Hong Kong, it has continued to close over the last four decades, whereas the gender wage gaps seem to be largest in the other two first tier East Asian NIEs, namely South Korea and Singapore. Culture obviously cannot explain the great disparity among the three first generation East Asian NIEs, often dubbed Confucianist.

However, there is little clear evidence that female employment shares have declined with the closing of gender wage gaps in manufacturing. Gender wage gaps have closed throughout the region except in Singapore, whereas female employment shares have declined in all the first-tier East Asian newly industrialized economies and may be beginning to decline in the second-tier Southeast Asian newly industrializing countries as well.

The sub-sectors employing at least five per cent of the total manufacturing workforce in all four economies in at least one year include food products, textiles, wearing apparel, rubber products and electrical machinery. This was also true of rubber products in Malaysia. It is likely that food products were primarily for the domestic market, while varying portions of the other industrial products are probably also for domestic consumption, though they are more likely to be export-oriented. These

industries also seem to be characterized as primarily involving low-paying, low-skill, light manual work. It is not clear that export-oriented manufacturing per se has an especially strong connection with female employment.

Although the precise mechanisms and relations are still poorly understood, there appears to have been a general regional pattern of increased female employment in manufacturing during the period of early rapid labour-intensive industrialization, probably accelerated by the availability of export markets. With full employment, more sophisticated or skill-intensive manufacturing and other related developments, manufacturing growth and industrial employment growth tapering off, with the female share of such employment declining, reflecting the gender preferences of the new industrial employers as the gender wage gap continued to close except in Singapore.

Available data does not allow definitive claims regarding the role of export-oriented manufacturing as opposed to import-substituting industrialization, especially in the case of Northeast Asia where the two went hand in hand as effective protection of import-substituting industries was conditional upon, and thus required, export promotion of the same. As the Appendix Tables show and Ghosh notes elsewhere in this volume, the fall in women's share of manufacturing is not only true for the manufacturing sector as a whole, but for export-oriented manufacturing as well. Joeques (1999) too notes that the share of women employed in export-processing zones declined between 1980 and 1990 in Malaysia, South Korea and the Philippines, with the sharpest decline from 75 per cent to 54 per cent in Malaysia.

However, in so far as exports implied that the manufacturing growth rate was no longer circumscribed by the (expanding) size of the domestic market—as for import-substituting industries—industrialization probably accelerated with successful export-oriented manufacturing, even if the industries concerned began with import-substitution, as was important in South Korea, for example. And in so far as labour-intensive, low-cost manufacturing for export has been the principal motive of industrial investments, such investments probably generated considerable direct employment⁵, presumably of women initially, if the jobs created were female-typed.

Joeques (1995) argues that the swing back from female intensity in the Singaporean manufacturing as it has pursued its goal of product up-grading, may be attributed, as a proximate cause, to the fact that women workers with the needed technical qualifications were not available in sufficient numbers for recruitment to new technical and other skilled grades. However, it is not clear that this was necessarily a region-wide phenomenon since the facilities for pre-employment industrial vocational training in the rest of the region have been less well developed⁶, though they are likely to be as gender-biased. As the data discussed above show, Singapore was

⁵ Indirect employment effects were often limited in Southeast Asia where export-oriented industries have been dominated by foreign direct investors who have been more likely to be vertically integrated with international production chains or networks.

⁶ While the gender gap in education is not large in East Asia compared to other regions, gender inequalities are evident at the tertiary level (sometimes due to deliberate government policies), and especially in terms of enrolment in courses and subjects with a strong technical content. Clearly, these economies' public investments in human resources went well beyond the primary school limit recommended by the World Bank, with labour market interventions based on long-term considerations beyond current prices (Rodrik 1994). The expansion of education not only helped generate technical and professional human resources for industrial upgrading, but also enhanced opportunities for upward socio-economic mobility, including skill enhancement and higher remuneration (Deyo 1989).

exceptional among the Southeast Asian economies considered in being the only economy studied where the gender gap in manufacturing wages has actually widened in recent years.

It is also quite likely that new industrial jobs have been male 'gender-typed' adversely affecting female recruitment and promotion. Such gender typing is presumably also reinforced by gender-differentiated opportunities for on-the-job and other industrial training. In the absence of conclusive evidence, it is difficult to be certain as to why employers exhibited a 'preference' for male workers. It may be due to the 'gender-typing' of jobs in the new, less labour-intensive industries, i.e. new jobs were simply deemed 'men's jobs'. It also seems likely that the early phases of labour-intensive industrialization were more concerned with labour costs. Recruiting women probably enabled employers to save more on labour costs. As Ghosh notes elsewhere in this volume, women seemed less unwilling to accept poorer working conditions in terms of wages, non-unionization and more casualized employment terms.

Also, as elsewhere, late industrialization often began with the garments and apparel as well as electrical and electronic industries. The historical role of textiles continued in the second half of the twentieth century in the developing countries thanks to the Multi-Fibre Arrangement (MFA) under the General Agreement on Tariffs and Trade (GATT). Electrical and electronic manufacturing, testing and assembly have been relatively labour intensive and have grown exponentially in the region in the last third of the twentieth century.

The socialization of girls at home and in vocational education deemed them especially suited to such work. Even if such claims are exaggerated, this became the ideology associated with the culture of such work and employment. It seems that as manufacturing production became more diversified and skill-intensive in the first tier or generation East Asian newly industrialized economies, the share of female manufacturing employment went down.

While it is difficult to compare *intra*-household inequalities in income or consumption across countries due to the lack of robust and comparable data sets, the available evidence on gender wage gaps provides useful insights into gender inequalities. While there is no doubt that incomes and wages, including women's wages, rose spectacularly over short periods, the gender gap in wages, as well as the degree of occupational segregation in Taiwan, South Korea and Hong Kong remain large by international standards and show little sign of diminishing over time (Joekees, 1995: Tables 3 and 7). Data on female/male earnings in manufacturing for a number of developing countries in diverse regional settings shows the Northeast Asian countries, such as Hong Kong, South Korea and Singapore to have some of the largest gender wage gaps on record, with little indication of amelioration over time (UN, 1999).

Seguino (1997) argues that despite the high rate of growth of female employment in South Korea (which has been higher than the rate of growth of male employment), the gender wage gap has only marginally narrowed over the past twenty years contrary to what neo-classical economic arguments predict. The data she cites suggest that the average ratio of female to male earnings in Korea's manufacturing sector rose from 47.0 per cent in 1975 to 50.5 per cent in 1990, though the gap has continued to close in the decade since, as noted above. In the main female-dominated export-oriented industries—textiles, apparel and electronics—the

female/male earnings ratio has risen more, e.g. apparel, from 48.6 per cent in 1977 to 58.4 per cent in 1990, whereas the gap has grown in male-dominated industries.

According to Seguino (1997: 113-4), gender discrimination and differentiation in determining access to skill training provided by the state and by firms are part of the problem. She suggests that Korean *chaebols* have contributed to gender wage gaps since they dominate Korean manufacturing in both capital-intensive and labour-intensive industries. *Chaebols*, she suggests, are especially reluctant to hire female labour in their capital-intensive industries because of patriarchal norms that 'reserve' preferred jobs for males. According to Seguino, *chaebols* rely on profits and foreign exchange earnings from exports to fund investments and technology imports in capital-intensive industries. 'Limiting women's job opportunities by segregating them in the labour-intensive export industries ensures a cheap labour supply that promotes export sales and thus technology up-grading in other industries owned by the *chaebol*, and can lead to economic rewards from the state in return for meeting export targets.' (Seguino 1997: 113).

Seguino then tries to explain the more or less persistent gender-based wage differentials in Korean manufacturing. She rejects surplus female labour as an explanation for gender-based wage differentials. Comparing productivity and wage increases in different industries, she concludes that productivity gains have been more equitably shared with workers in male-dominated industries than in female-dominated ones, where wages have lagged behind productivity gains. She argues that the failure of productivity gains in female-dominated industries to translate into commensurate wage gains cannot be explained by surplus female labour. Instead, she suggests that the explanation lies in labour market institutions, the role of the state and the 'genderized' division of labour in Korean corporate culture.

Seguino (2000b) later noted that while the South Korean gender wage gap has been closing, the Taiwanese gap has been growing. She explains this difference as due to recent restructuring, economic liberalization and different efforts to maintain export competitiveness, and notes that the gender wage gaps were most strongly associated with changes in intra-industry gender wage differentials rather than employment shifts. Besides labour market influences, she finds factors influencing women's relative bargaining power, particularly greater Taiwanese capital mobility (though partly offset by reduced female 'crowding' in affected industries), to be important. Outward Korean FDI had the opposite effect as more capital intensive, male dominated industries were affected. She argues that greater state intervention in South Korea limited outward FDI, increased minimum wages (which raised female earnings more) and favoured more export-oriented firms, which tended to make more (quantitative and qualitative) productivity-raising investments as wage rates rose.

Examining the determinants of economic growth in several newly industrializing economies where women constitute the bulk of the labour force in the export sector, Seguino (2000a) argues that gender wage inequality contributed to higher export-led growth during 1975-95. She found GDP growth in these economies positively related to the gender wage difference and found 'a positive link between gender wage inequality and growth via both channels [*exports*, and therefore technological change and productivity growth, as well as *investment*]. 'In particular,... gender inequality stimulates investment, but also enhances the productivity of investment, possibly through the effect that low wages for women has on exports and therefore technology imports' (Seguino 2000a: 1223).

Table 2. Malaysia: Manufacturing Labour Skill Composition By Gender, 1971-1997

	1971	1979	1985	1990	1997
Females in total labour force (%)	32.1	46.7	46.1	52.4	45.5
Female skilled in total skilled (%)	34.2	52.5	52.6	59.4	51.4
Female unskilled in total unskilled (%)	40.3	54.7	55.3	60.0	51.6
Female skilled in female direct workers (%)	42.7	57.1	65.4	66.2	60.2
Male skilled in male direct workers (%)	49.3	55.7	60.0	54.9	61.8
Unskilled/skilled wage ratio	0.62	0.71	0.61	0.60	0.60
Skilled*/total direct workers (%)	46.8	54.5	58.6	54.6	61.0
Direct workers/total (%)	76.5	73.7	69.1	74.9	72.4
Technical, professional and skilled in total labour force (%)	51.6	59.3	67.0	61.6	68.1

* includes semi-skilled workers

Sources: Computed from Malaysia, *Industrial Survey*, 1971, 1979, 1985, 1990 and 1997.
From Rasiah 2001: Table 11, p. 26.

A review of manufacturing labour skill composition trends by gender in Malaysia is very suggestive. Table 2 suggests that the female share of the manufacturing labour force in Malaysia did not rise during the first half of the 1980s—when the government emphasized import-substituting heavy industrialization—and then peaked in the early 1990s before declining rather rapidly although the government continued to emphasize export-oriented manufacturing. The female share of skilled workers rose sharply in the 1970s, and then again in the late 1980s, before dropping sharply in the early and mid-1990s. The skilled workers' share of all female direct workers also moved in parallel, though the female share of unskilled workers also moved likewise. Yet, although women comprised 59.4 per cent of all skilled workers and skilled workers comprised 66.2 per cent of direct women workers in 1990, compared to 40.6 per cent and 54.9 per cent for male workers respectively, female workers in manufacturing earned only half of what males earned in that year.

Except in 1979, when unskilled workers earned 71 per cent of what skilled workers earned, they averaged around 61 per cent in 1971, 1985, 1990 and 1997. The share of skilled workers among all direct workers rose steadily from 46.8 per cent in 1971 to 61.0 per cent in 1997 except for a sudden dip to 54.6 per cent in 1990. Similarly, the share of technical, professional and skilled workers in the manufacturing labour force rose over the same period and dipped in 1990. These parallel trends probably reflect the sudden increase in industrial workers in the late 1980s with labour-intensive manufacturing investments from the first-tier East Asian newly industrialized economies such as Taiwan, Singapore and South Korea. The decline in the share of direct workers in manufacturing despite the likely reduction of putting out work—mainly associated with garments manufacture—suggests a trend towards labour flexibility and casualization. This trend was probably accelerated by increased unemployment in the mid-1980s and briefly reversed with rapid manufacturing labour recruitment from the late 1980s.

Labour Market Liberalization

While changing production relations at the international level have brought about some of this greater flexibility, much of it has been enforced by governments believing this to be desirable for attracting investments and thus enhancing growth. However, there has been relatively little resistance to such casualization, as its negative consequences were partly offset by the post-1985 boom (after the appreciation of the yen and the currencies of the first-tier East Asian NIEs), which has been accompanied by declining unemployment as well as improved labour remuneration to retain employees. However, such casualization negates the likelihood of corporatism, and hence of greater commitment by workers as 'stakeholders', as in Japan and Singapore. Weak institutional development governing labour relations has exacerbated the situation of workers in the region. Liberalization is also likely to have weakened the bargaining power of workers in Malaysia, Thailand and Indonesia, and may thus have worsened income distribution.

Liberalization did not significantly increase poverty in the region (except perhaps in Thailand) before the currency and then financial crises of 1997 induced a regional recession in 1998. Until the crisis, growth continued to raise real incomes overall, and low unemployment and skill enhancement strengthened the bargaining power and remuneration of labour generally. To varying extents, governments introduced some 'social safety nets' to reduce the dislocation caused by rapid structural changes and cyclical influences. However, such provisions were minimized on the presumption that full employment could be indefinitely assured—providing 'workfare' and thus eliminating the need for 'welfare' provisions. It was often claimed that the unemployed could always count on 'traditional' social safety nets provided by 'families', 'communities' and informal sector participation—much of it heavily reliant on unpaid and poorly paid female labour. The social disasters due to the recessions following the 1997 East Asia financial crises have underscored the inadequacy of such provisions when they are most needed, and the disproportionate burden that is often thrown on the shoulders of poor women who have to intensify their labour force participation in low-paying female-dominated sectors, while maintaining their 'traditional' responsibilities for daily household reproduction (Francisco and Sen, 1999).

2.3. Social Policy in East Asia?

The history of social policy suggests that most social policy initiatives have been the result of social struggles, albeit in different political contexts. In more democratic contexts, progressive social policies have tended to reflect the political ascendance of broad coalitions sympathetic to or supportive of the principal beneficiaries of such policies. Theda Skocpol (1992) has shown how the modest US welfare state provisions began in response to popular sympathy and support for mothers and military veterans. Karl Polanyi (1944) has emphasized the significance of social policies and institutions of 'class compromise' in ensuring the legitimacy of capitalist order in the aftermath of massive social dislocation. Dani Rodrik (1998) suggests that such policies and institutions were necessary for public acceptance of the disruptive consequences of globalization.

In more authoritarian contexts, social policies favouring previously politically disenfranchised groups may be considered to be the necessary or unavoidable costs of retaining regime legitimacy or acceptability, and of avoiding costly social conflicts. Hence, for example, reasonably equitable agrarian reforms were undertaken under US occupation in Japan and by anti-communist governments in South Korea and

Taiwan not dependent on landed interests⁷. Social policies and institutions were also deemed necessary to support corporatist arrangements in support of nationalist developmental state policies in many rapidly industrializing East Asian economies (Chang 2000). Significant agrarian reforms were undertaken at the beginning of the Cold War in Japan, South Korea and Taiwan. More modest rural and labour reforms were undertaken in Malaysia and Singapore in the 1950s in the face of the only communist-led armed insurgency in the British Empire. State interventions have been especially extensive in Singapore (Rodan 1989) with social policy highly developed as a means of political control (Tremewan 1994). Even supposedly *laissez faire* Hong Kong has seen important interventions in the land, housing and education markets (Castells, Goh and Kwok 1990).

This has been less true of the second-tier Southeast Asian newly industrializing countries of Malaysia, Thailand and Indonesia. There have been important social policy initiatives (rural development efforts and the state-sponsored Green Revolution in rice farming) to ensure regime legitimacy in Malaysia and Indonesia (Jomo *et al.* 1997; Jomo 2002) and to reduce poverty as well as inter-ethnic economic disparities in Malaysia (Gomez and Jomo 1999). However, significant initiatives for workers in export-oriented industries have been far more modest, if not non-existent. Most notably, retrenchment benefits for Malaysian workers were raised in response to the mid-eighties' economic (especially electronics) downturn, only to be reversed after the 1997-98 economic crisis. Attempts to unionise and otherwise organize women workers have been subject to harassment, if not outright repression. The high proportion of women in these industries' labour force (especially in electronics, electrical, textiles, garments and apparel industries), the persistence of the ideology of women as secondary income earners and the disproportionately modest role of women in the weak organized labour movements (Jomo and Todd 1994) have only exacerbated this problem.

3. The New International Economic Governance and Late Industrialization

Recent developments in international economic governance increasingly constrain and undermine effective national economic governance, including the industrial policy initiatives that have been behind high growth in the East Asian region. Three aspects of international economic liberalization have been important in East Asia since the 1980s, and are likely to have some bearing on social development in the region: international trade, investment regimes and financial governance. The period since the 1980s has seen the emergence of new instruments of neo-liberal economic restructuring at the global level besides the Bretton Woods institutions.

⁷ Chang (2000) rejects the argument that East Asia was "economically" successful because it was a "social policy-free zone". He contends that it was only because of a range of "social policies"—some more implicit (e.g. land reform, corporate welfare, and the institution of life time employment for some) than others—that the East Asian countries managed to achieve social peace and economic prosperity. He further argues that while it may be possible to increase the "efficiency" of the East Asian economies by abolishing some of these provisions, but this is likely to increase social tensions and may ultimately damage their prosperity. This is not to deny the need for social policy reform, however, as many of these countries still have a long way to go before they can claim to have established genuinely inclusive and cohesive societies.

3.1. GATT, the Uruguay Round and WTO

Conclusion of the Uruguay Round of negotiations of the General Agreement on Tariffs and Trade (GATT) gave birth to the World Trade Organization (WTO). The WTO has quickly emerged as the new arena for such new economic governance initiatives, not only involving the international trade of goods, but other related matters as well. On 6 September 1994, all members of GATT ratified the establishment of the World Trade Organization (WTO) to replace the General Agreement on Tariffs and Trade from 1 January 1995.

The establishment of the WTO has significantly advanced economic liberalization. This has not only involved the international trade in goods, but has also been extended to cover services (through GATS, the General Agreement on Trade in Services) as well as investment (through the agreement on TRIMs, or trade-related investment measures). With the further strengthening of transnational-dominated intellectual property rights through the agreement on TRIPS (trade-related intellectual property rights), technology acquisition is going to become more difficult and costly, further constraining national industrial and technology policies. Not surprisingly, many governments in developing countries suspect that the proposed labour standards and environmental clauses are also intended to further constrain the possibilities for late industrialization.

The WTO is committed to facilitating the effective implementation of the substantive rules that have been negotiated in the Uruguay Round and since. While continuing many GATT ideas and practices for trade liberalization, the new structure has eliminated some old GATT features protecting developing country interests under the guise of 'leveling the playing field'. These include some important changes for more forceful implementation of the Uruguay Round. The WTO has also extended its jurisdiction to new matters negotiated in the Uruguay Round, particularly services and intellectual property. Since GATT only applied to goods, the WTO Charter offers considerably better opportunities for the future evolution and development of the institutional structure for international economic governance. Its structure is complemented by an effective enforcement mechanism to establish an international economic order ensuring greater freedom for transnational corporations, and under which, intervention by governments, particularly of the South, will be progressively minimized.

In the WTO, one country has one vote—unlike in the IMF and the World Bank where one dollar carried one vote, crudely speaking. But since the WTO depends on the G-7 countries for the bulk of its finances, and since these countries dominate world trade, accounting for two-thirds of such trade, this nominal democracy seems to be less significant in reality. In addition, countries of the South seem to have lost much of their limited capacity for cooperation and coordination in international forums, which was much more evident in the 1970s. The heterogeneity of interests among countries of the South has also become much more significant in undermining the capacity for effective collective action.

The WTO has proved to be far more powerful than the GATT in supervising the new international economic order, covering trade in manufactures, agriculture, services, and intellectual property, as well as investment regulation. The WTO has an integrated dispute settlement system, which effectively means that if a country does not fulfil its obligations in one area (say, enforcing intellectual property rights), sanctions can be applied against it in another area that hurts it most (for example, its exports of primary products). The WTO has also been coordinating its programs and

policies with the World Bank and the International Monetary Fund, resulting in 'cross-institutional conditionality'.

As noted above, the WTO is hardly a community of equal nations in practice. It has been more likely to discipline governments based on guidelines set by the major economic powers, but seems less likely to enforce rules when its most powerful members flout them. Thus, the United States and Europe can and have used the WTO to further their own interests. Meanwhile, the G-7 has been drafting policies to direct the WTO in ways favourable to them, as in the United Nations and other international bodies in recent years. Some powers still use unilateral measures to resolve bilateral trade disputes, e.g., the US used its Super 301 law against Japan in February 1994 after conclusion of the Uruguay Round in December 1993. The US also delayed acceptance of the application of China—which had quit GATT after the 1949 communist takeover—to join the WTO, exacting heavy concessions from the People's Republic as the cost of accession.

Washington has frequently threatened punitive tariffs on imports from China on the grounds that Beijing has not done enough to curb widespread piracy of US copyrights, trademarks and patents. Such actions clearly threaten the multilateral spirit of the Uruguay Round agreement, but neither GATT nor the WTO has condemned the US actions. Hence the WTO as an instrument of the emerging global economic governance is not only a threat to developing countries' sovereignty, but also adversely affects prospects for late industrialization and development in the South, as others try to emulate East Asia.

In addition to tightening rules on dispute settlement and anti-dumping regulations, clarifying subsidies, and introducing new safeguard measures, new agreements were also concluded enhancing 'market access' in East Asia. First, developed countries agreed to lower average tariff rates on industrial products by about 40 percent. Second, the contracting parties agreed to replace various border taxes on agricultural products with tariffs ('tariffication'), to lower tariffs, and to reduce domestic and export subsidies. Third, the contracting parties agreed to integrate the Multi-Fibre Arrangement (MFA) into the WTO in ten years.

The establishment of the WTO has also created a powerful permanent forum and agency for continued trade-related global economic liberalization, with far more onerous new terms and conditions accompanying the emerging new governance structure as well as greater means for enforcing them. The WTO regime will force the economies of developing countries to be more open to industrial countries for trade, capital, investment and technology. Countries will be obliged to agree to greater foreign firm domination with the new intellectual property, services and trade-related investment rules. They also face tougher regulations (e.g., national rules-of-origin requirements to avoid charges of dumping) and punitive measures. In general, the sovereignty of developing country governments has been greatly eroded. Developing countries stand to lose preferential treatment from industrial nations under the Generalized System of Preferences (GSP). Such treatment will be gradually removed, or will be tied to new obligations involving TRIMS, TRIPS, greater foreign access to the services sector, and perhaps even labour and environmental standards.

With the conclusion of the Uruguay Round, it is also very difficult to use non-tariff measures (NTMs) as disguised forms of protection. Besides tariffication, tariff levels are being forced down, especially in the South. However, tariff escalation—involving

higher duties for more processed products—is still evident in major developed countries, such as the European Union and Japan, even in post-Uruguay Round tariff regimes, thus effectively discouraging developing countries from downstream processing and export of processed products instead of primary commodities. In the immediate future, powerful companies in the North seeking protection will attempt to make far greater use of anti-dumping laws and the like. Such protection has increased significantly in recent years and the trend is likely to accelerate. For example, it is becoming increasingly difficult to use government procurement procedures and practices to favour national suppliers.

Meanwhile, governments and firms in the North have been busily inventing new measures. The lowering of NTMs and tariff levels will bring in more imports and increase market access for foreign goods. Tougher competition between domestic and foreign producers should emerge, possibly improving consumer welfare in the short term, but also undermining the expansion of indigenous industrial capacity in developing countries. The economies of developing countries will also be more susceptible to external shocks, which will adversely affect their economic stability. While exports will be further enhanced, payments for imports will also increase.

The Multi-Fibre Arrangement (MFA) has placed quotas on Third World exports of textiles and clothing to the North since 1974 to enable industrial countries to adjust to the competitiveness of Third World imports. However, the MFA has also provided a window of opportunity for developing countries beginning industrialization. With the Uruguay Round accord, the MFA will be phased out by 2006 to be replaced by a new system of (yet unknown) temporary selective safeguards that are likely to be less conducive to late industrialization than the MFA it will replace. As for market access more generally, the European Union has begun discussing plans to achieve global tariff-free trade by 2020, and is pushing for a new round of trade talks by 1999.

There is also little evidence of the terms of trade improving for the South in general, and East Asia in particular. If anything, long-term trends suggest that the converse has been true. Indeed, Table 3 shows Malaysia, and especially Indonesia, facing diminishing terms of trade between 1985 and 1995, despite significant increases in the ratio of exports to GDP and the ratio of manufactures to total exports. In this light, three broad observations are salient. First, there has been a secular decline in the terms of trade for primary commodities continuing into the 1980s and 1990s. Second, there seems to have been a relative decline in the prices of manufactured exports from the South compared to manufactured imports into the South, especially from the North. Third, trade liberalization in the South has grown, mainly from the mid-1980s. The trends have been so worrying that enhanced productivity and competitiveness in East Asia may well have contributed to a variant of 'immiserizing growth', i.e., of productivity gains that are less-than-proportionately reflected in rising real incomes or living standards.

Table 3. Four High-Performing Asian Economies: Trade Trends, 1970-1995 (per cent)

<i>Economy</i>	<i>Exports as per cent of GDP</i>			<i>Manufactures as per cent of All Exports</i>		<i>Net Barter Terms of Trade</i>	
	<i>1970</i>	<i>1980</i>	<i>1995</i>	<i>1980</i>	<i>1993</i>	<i>1985</i>	<i>1995</i>
South Korea	14	34	33	90	93	94	102
Malaysia	42	58	96	19	65	114	92
Thailand	15	24	42	28	73	103	100
Indonesia	13	33	25	2	53	145	79

Source: World Bank (1994, 1995, 1997).

The establishment of the WTO in place of the GATT has been justified as ultimately being in the best interests of all. More generally, such developments are said to be part and parcel of global economic liberalization, which is said to be in the interests of developing economies. The Asian Development Bank (1997) has claimed that openness has been good for economic development. Such arguments often cite East Asia as providing supportive evidence of this claim. However, more careful examination of export-oriented and export-led growth in East Asia, as was outlined above, suggests otherwise. In Northeast Asia, as we have seen, the regimes successfully encouraged export-oriented industrialization from the 1960s while continuing to protect domestic markets. By providing temporary effective protection conditional on appropriately phased export promotion, these regimes ensured that their infant industries quickly became internationally competitive.

East Asian economies have clearly experienced substantial trade liberalization since the mid-1980s. Foreign trade-to-GDP ratios have risen in most East Asian countries (except for South Korea), with imports and exports continuing to grow rapidly, as shown in Table 4. Such trends have mainly been due to pressures imposed by the United States and the countries of the Organization for Economic Cooperation and Development (OECD), greater competition, and the requirements of international acceptability. International developments following the conclusion of the Uruguay Round of GATT negotiations have introduced new constraints and challenges, but also offered new opportunities for East Asian economies.

While still extensively pursuing interventionist policies, all five economies have selectively undergone considerable liberalization since the 1980s. In examining the effects of economic liberalization in the region, the main developments in international trade to consider have been those associated with the World Trade Organization (WTO). Other regional trade arrangements such as the Asia Pacific Economic Cooperation Forum (APEC) and the ASEAN Free Trade Area (AFTA) have been and are being transformed into WTO-consistent institutions working to liberalize trade. The consequences of such liberalization are uneven, with some economies, industries and firms better placed to make gains from further liberalization and to minimize their potentially harmful effects, while others are much more vulnerable.

Table 4. Five High-Performing Asian Economies: Trade Growth and GDP Share, 1970-1995 (per cent)

<i>Economy</i>	<i>Average Annual Import Growth</i>		<i>Average Annual Export Growth</i>			<i>Total Trade/GDP</i>	
	<i>1970-80</i>	<i>1980-92</i>	<i>1970-80</i>	<i>1980-90</i>	<i>1990-95</i>	<i>1980</i>	<i>1995</i>
South Korea	11.6	11.2	23.5	12.0	13.4	74	67
Taiwan (PoC)	12.2	10.6	15.6	11.0	na	na	na
Malaysia	3.7	7.9	4.8	10.9	14.4	113	194
Thailand	5.0	11.5	10.3	14.0	14.2	54	90
Indonesia	13.0	4.0	7.2	2.9	10.8	53	53

Note: na - not available.

Source: World Bank (1994, 1995, 1997).

The industrial structures, capacities and capabilities in South Korea and Taiwan have generally been mature enough to allow further trade liberalization. Neither tariffs nor subsidies are essential any longer for them to continue to try to catch up technologically in memory chips, computers, televisions and steel. In South Korea, the same is true for ships and automobiles, and in Taiwan, for machine tools. Both economies have deregulated so much that they are now among the more open economies by international standards. South Korea and Taiwan, with firms at the technology frontiers in several industries, have been ready to undergo trade liberalization without seriously fettering their growth. On the other hand, Malaysia, Thailand and Indonesia have very few domestic firms at any technology frontiers, while foreign firms in these countries seem unlikely to significantly develop linkages with the rest of the host economies. The recently attempted promotion of high technology industries will be difficult to sustain with further liberalization, while industries trying to catch up technologically are likely to suffer.

To the extent that trade liberalization has been voluntary, policy changes have often reflected the success of previous industrial policy in developing internationally competitive national industrial capacities, rendering further protection and support no longer necessary, let alone desirable. Hence, insofar as selective industrial policy has involved time-bound disciplinary mechanisms—such as temporary effective protection while developing internationally competitive industrial capacity—the efficacy of such mechanisms involves gradually subjecting the industries or firms concerned to international market exposure through trade liberalization.

When trade liberalization has been forced upon governments, it has often undermined the option of using trade policy instruments, though some would argue that the opponents of trade liberalization have sometimes exaggerated their consequences. Needless to say, this will have adverse consequences for those economies just beginning to embark on late industrialization efforts. However, insofar as trade restrictions have not been part of feasible programs to accelerate national industrial capacity development, externally coerced trade liberalization would have positive welfare implications in both the short as well as the medium term.

The General Agreement on Trade in Services (GATS) initiative contained provisions ensuring most-favoured-nation (MFN) treatment for all signatories (the same treatment to be given to all member countries), 'national treatment' (no discrimination against services of other countries) and abolition of restrictions on market access (no adoption of measures such as those restricting the number of service suppliers). Agreements were also concluded on trade-related intellectual property rights (TRIPS)

and trade-related investment measures (TRIMS); e.g., local content (LC) requirements—specifying that enterprises must procure a certain percentage of their component parts locally—are now prohibited. These new rules seriously reduce the room for industrial policy initiatives although they do not eliminate them altogether. At the end of 1997, a financial services agreement established the basis for more rapid international financial liberalization.

Conclusions

The last few decades have seen growing international economic integration. Globalization and its implications have been quite complex, often uneven, and even contradictory. Since the 1980s, it has been associated with the emergence of a new transnational regime characterized by weaker national state sovereignty. But international economic integration is not the same as globalization. Regionalization has been as important a force for international economic integration, and arguably more important for some kinds of cross-border economic relations. There are also many dimensions of international economic relations, which tend to be conflated in words such as globalization.

This paper has tried to identify the factors that have contributed to the rapid growth of export-oriented employment for women in East Asia. It has argued that rapid industrialization and growth in the region has been largely due to appropriate state interventions. Infant industries in Northeast Asia were provided with effective protection conditional on export promotion, which can hardly be equated with trade liberalization. The early growth of female employment in export-oriented manufacturing has to be seen as the consequence of particular policies pursued by the governments concerned. The successful 'late industrialization' of East Asia due to industrial policy interventions has posed awkward challenges for the current neo-liberal orthodoxy associated with the so-called Washington Consensus.

But the paper also acknowledges that the East Asian region's experiences have been varied. For many of the differences, the divide has been between Northeast and Southeast Asia, but it would be erroneous to see the latter as simply following in the footsteps of the former, as suggested by the imagery of 'flying geese'. Southeast Asia pursued greater trade liberalization earlier than in Northeast Asia, and has also depended far more on foreign direct investment (FDI). The role of industrial policy has also been more modest and problematic in more 'market-friendly' Southeast Asia. Consequently, the region has less industrial capacity and capabilities.

Yet, even in Southeast Asia, export-oriented labour-intensive manufacturing by foreign investors did not develop spontaneously due to the availability of cheap labour, free trade and the absence of capital controls. While indigenous firms led industrialization in Northeast Asia, foreign direct investment has been far more important in Southeast Asia. In the latter, export-oriented industrialization has seen a much larger role for export-processing zones and related incentives. Hence, successful export-oriented industrialization in East Asia did not occur spontaneously in open economies, but had to be induced with appropriate policies, institutions and incentives in the form of *development strategies*.

Not surprisingly, the early phases of labour-intensive industrialization were more concerned with wage costs. Recruiting 'cheaper' and more productive women probably facilitated capital accumulation and accelerated growth in the region. Throughout the region, late industrialization often began with labour intensive

manufacturing—garments and apparel as well as electrical and electronic industries. It seems that as manufacturing production has matured and diversified in the first-tier East Asian newly industrialized economies, the share of females in manufacturing employment has gone down.

Hence, the evidence points to rapid growth of female employment as industrialization accelerated—at different times—in the region. The numbers of women in manufacturing employment were often almost at par with—if not in excess of—men at some point before falling behind. However, there is no clear relationship between the timing of the peak in the female share of manufacturing employment and the maturity of industrialization or the achievement of near full employment. In the first generation East Asian newly industrialized economies considered here, the turning point was at different points in the eighties. It is likely that Malaysia reached this point in the early nineties, while Thailand and Indonesia may have reached their apexes in the late nineties.

Rapid economic growth and strengthened currencies encouraged many firms in Japan and the first generation NIEs to relocate manufacturing to lower wage cost sites in China and Southeast Asia, which in turn accelerated industrialization in Malaysia, Thailand and Indonesia from the late 1980s. Seguino (2000) suggests that the increase in outward FDI reduced the gender wage gap in South Korea while increasing it in Taiwan, which she partly attributes to more pervasive state interventions in the former. However, despite the more significant role of the state in Singapore's industrialization compared to Hong Kong's, the converse seems to have been true in the two municipal economies. Except for the achievement of near full employment in Malaysia and Thailand in the nineties, there is little other evidence of women workers' bargaining power increasing though the wage gap seems to have been closing.

The female share of manufacturing employment appears to have dropped off in East Asia with the deceleration of industrialization and manufacturing export growth, though existing evidence does not allow a more careful and detailed examination of the processes at work. There is considerable evidence that the gender gap in wages, as well as the degree of gendered occupational segregation, remain large by international standards in Taiwan, South Korea, Hong Kong and Singapore, and has shown little sign of amelioration over time. It seems likely that cultural prejudice, including gender preferences, as well as legal and normative requirements have served to perpetuate such differences over time. However, while manufacturing employment growth for women has fallen off, service employment opportunities have grown with structural change, with mixed consequences for women.

The Bretton Woods institutions have discouraged East Asian governments from developing Western-style welfare institutions. Instead, in response to the 1997-8 regional crises, they have favoured social safety nets to deal with crisis situations. Ironically, the approach requires governments to develop and improve their selection capabilities in order to be effective during crises. The recent failures of the social safety net approach in the crisis-hit Southeast Asian economies underscore the need for governments to develop such capabilities before crisis hits. Acceptance of the principle of selectivity is also important for other selective government interventions such as industrial policy usually opposed by these institutions. Developing a capability to provide social safety nets is consistent with the desirability of counter-cyclical macroeconomic policies.

Economic liberalization and globalization are likely to make it almost impossible for a new generation of 'late industrializers' to emulate Japan and the East Asian newly industrialized economies with the possible exception of economies such as China and India which have resisted full-scale liberalization and globalization to try to develop national industrial capacities and capabilities. Their successful emergence will make it much more difficult for other developing countries to accelerate their development processes.

Hence, with some exceptions, which will only serve to prove the rule, it is not likely that many more countries will be able to develop mature industrial economies in the foreseeable future. However, it is more likely that such countries may experience industrial spurts as some of them successfully create the conditions to attract industrial investors to relocate there to take advantage of temporary advantages enhanced by investment incentives and other institutional and policy attractions. Such spurts of export-oriented manufacturing employment growth may well create employment opportunities for women, either directly or indirectly, with rather mixed consequences for their condition, judging by the East Asian experiences. However, the sustainability of such employment growth is more doubtful as accelerated liberalization and globalization seem to be creating the conditions for immiserizing growth with constant downward pressure on manufacturing wages determined by global labour cost competitiveness.

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