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THE WORLD ECONOMY, IMPERIALISM, AND PERMANENT REVOLUTION: SOME FACTS AND SOME QUESTIONS

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INTRODUCTION

The first part of this article attempts to summarise some basic facts about the development of the capitalist world economy. The second part criticises the mainstream of post-war Marxist thinking on imperialism in the light of those facts; argues that vulgarised forms of the theory of permanent revolution have been strengthened in the Trotskyist movement by the influence of that mainstream; and deals with some theoretical issues to do with recent controversies in the WSL.

Facts and theory are not, of course, separate. The questions I asked in doing work for part 1, and the way I present the answers, were influenced by the theoretical views in part 2; conversely, those views are based on the facts as I understand them.

However, in part 1 I have not confined myself to the facts immediately relevant to the arguments in part 2. I have tried, to the best of my ability, to give a rounded picture.

The work for this article has of necessity been done mostly in odd hours snatched here and there - not the best conditions for such work. I hope comrades will bear with faults arising from this. In particular, some of the figures given in part 1 are more out-of-date than they should be, being from the early '70s or even late '60s. I have tried to ensure that this happens only where there is good reason to suppose that the broad pattern presented has not changed over the last 10 to 15 years.

I wish to thank comrades Ellis and Traven for discussions on the draft of this article; comrade Dupont for discussions on Lenin's "Development of Capitalism in Russia", on permanent revolution, and on South Africa; comrade Carolan for many of the ideas in part 2; comrades Christel and Maguire for typing. All errors are my responsibility.

PART I: SOME FACTS

PART II: SOME QUESTIONS

NOTE: Throughout the article the term ACCs (Advanced Capitalist Countries) is taken to refer to the countries of Western Europe (and Greece), the USA, Canada, Japan, Australia, and New Zealand.

There are some arguments about the best term to use for the other capitalist countries - 'underdeveloped', 'developing', 'Third World', etc. For convenience I use the abbreviation 'LDCs' (less developed countries), and have permitted myself such formulations as 'more developed LDCs'.

Most sets of statistics use this division, or something very close to it. The World Bank includes Greece and Portugal, and also some Stalinist states, among LDCs, and for some purposes divides LDCs into 'middle income' and 'low income'. Some of Bairoch's figures do not include Turkey among LDCs.

PART I: SOME FACTS

A. INEQUALITY

According to the World Bank, about 780 million of the 2800 million people in the capitalist world live in "absolute poverty". And military spending world-wide totals almost twice the aggregate income of the poor countries where half the population of the world lives.

Some rich and poor countries

Country	GNP per head	Adult literacy	Infant mortality
US	11,360	99	13
Japan	9,890	99	7
France	11,730	99	10
Britain	7,920	99	12
Spain	5,400	90	11
Argentina	2,390	93	45
Portugal	2,370	71	35
Mexico	2,090	81	56
Brazil	2,050	76	77
Egypt	580	44	103
India	240	36	123
Zaire	220	58	112
Bangladesh	130	26	136

Infant mortality is the number per 1000 of babies dying before the age of 1 (1980). Adult literacy is the percentage of people over 15 able to read and write (about 1977- except Spain and Portugal, figures for 1970 from World View 1983). GNP per head - US dollars 1980. This figure is pretty unreliable because of:

a) dubious elements in the concept of GNP itself,
b) unreliability of national statistics,
c) activities not entering the statistics, such as subsistence agriculture and the 'underground' economy. World View 83 estimates the latter as 20%, maybe up to 50%, of economic activity in LDCs.
d) errors in international collation of statistics,
e) the use of official exchange rates to convert figures in national currencies into dollars.

It seems to be generally reckoned that the overall direction of these inaccuracies is to exaggerate the differences between rich and poor countries (WV82 gives a table indicating that the income gap between the US and Indonesia is really about 10:1, whereas GNP per head figure would indicate 25:1). But there can be no doubt that the differences are huge.

The aggregate figures conceal inequality within nations. Walter Rodney points out: "Not long ago" (he was writing in 1972), "60% of the internal revenue of Dahomey went into paying salaries of civil servants and government leaders. The salaries given to the elected politicians are higher than that given to a British Member of Parliament" (p.27). Even the poorest countries include small minorities enjoying great wealth; and in the US there are currently estimated to be about two million people destitute, living on the streets. Furtado (p.90) estimates that the top 5% in Chile, Mexico or Venezuela have the same income as the top 5% in Norway; but the bottom 20% have half the income of the bottom 20% in Norway, and the middle 60% little more than a third of the income of their counterparts in Norway.

B. GROWTH

The average GNP per head in the rich capitalist countries exceeds the average in 'low-income' capitalist countries other than India - I.E., principally, Pakistan, Bangladesh, and black Africa - by 67:1. The comparable figure for 1955 was 36:1. With all due qualifications for the unreliability of GNP per head figures, it seems that the gap is increasing.

<u>Long term trends in national income per head</u>

	Latin America	As % of US	Asia	As % of US	US
1900	230	17%	90	7%	1360
1913	240	16%	110	7%	1580
1929	280	16%	115	6%	1840
1952-4	390	14%	110	4%	2850
1960	380	12%	130	4%	3350
1970	500	12%	150	4%	4270

(First table Bairoch p.191: figures in US dollars of 1970, pre-1954 figures not strictly comparable with post-1954. Second table World Bank: figures in US dollars of 1980)

	'Middle income'	As % of US	India	As % of US	Other low income	As % of US	US
1955	1050	8%	170	2%	140	2%	7030
1980	2650	14%	260	2%	190	2%	11560

Bairoch reckons that the overall picture may even be worse than it seems, because LDCs' statistics tend to overestimate growth rates (p.185-6).

However, though the idea of a growing 'gap' between ACCs and LDCs is true, it is also partly misleading.

a) The 'gap' between the most advanced LDCs and the ACCs is <u>decreasing</u>: what is increasing is the gap between the most advanced and the poorest LDCs.

In 1965 the gap between the USA and Mexico was $7\frac{1}{2}$:1, and between Mexico and Chad or Ethiopia, 7:1. In 1981 the US-Mexico gap is $5\frac{1}{2}$:1, the Mexico-Chad/Ethiopia gap, 20:1. (Figures for GNP per head from OEA for 1965, WV83 for 1981).

b) There is no gulf between the more advanced LDCs and the poorer ACCs. Mexico is pretty much on a level with - if anything, slightly better off than - the poorest West European country, Portugal. Japan, which now ranks high among the ACCs, had until the late 1950s a smaller national income per head than Mexico.

c) Since World War 2 the economics of the LDCs have been growing very fast, by comparison with previous capitalist development. The gap has increased because the ACCs have grown even faster.

Rates of growth of manufacturing industry (Bairoch p.67 , World Bank)

	1950-60	1960-70	1970-80
LDCs: manufacturing output	6.9	6.3	5.0 I/3.6 LI/ 5.4 MI
ditto per head	4.5	3.6	2.9 I/1.0 LI/ 3.0 MI
(..I=India, LI= other 'low income', MI= 'middle income')**			
ACCs: manufacturing output	5.0	5.6	3.2
ditto per head	3.8	4.4	2.4

	1800/4-1850/4	1850/4-1900/4
Britain: manufacturing output	3.6	2.2
ditto per head	2.2	1.4

Industry generally has grown as fast or faster than manufacturing industry. Agriculture in the LDCs has not grown so fast: and this has been part of a situation of terrible suffering in the LDCs.

But the LDCs are not caught in some sort of time-warp. Latin America now is at a level of capitalist development roughly comparable to Western Europe in the first half of this century (by some indicators, such as education, it compares with levels not reached in Western Europe until after World War 2; by others, such as the development of manufacturing industry, it is comparable to France, for example, before World War 1. See Bairoch).*

C. AGRICULTURE AND HUNGER

Growth of food production per head, average % p.a.

	1960-70	1970-80
Africa	0.1	- 1.1
Middle East	0.1	0.2
Latin America	0.1	0.6
South Asia	0.1	0.0

This lack of growth has existed since 1934 at least (Bairoch p.17). Meanwhile enough cereals are fed to animals in the richer countries to feed 2½ billion people. In the transformation from cereal to meat, at least 70% of the calories and protein content - i.e. enough to feed 1.8 billion people - is lost.

Agricultural productivity in LDCs is very low. Bairoch constructs an index of agricultural productivity, measuring calories produced per man hour with certain adjustments. (see over)

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*This does not mean that Latin America is at the same point on the same path of capitalist development as Western Europe was in the early 20th C. It is at a different point on a different path . The point is that it is not static.

** The 'high-income oil exporters' are not included as LDCs by the World Bank.

Index of Agricultural Productivity (Bairoch p.38-40)

1968-72: per man hour

US	330.0
France	100.0
Argentina	86.9
Brazil	12.9
Mexico	6.8
Morocco	6.5
Nigeria	3.4
Zaire	5.9
Egypt	5.7
India	3.9
Pakistan	4.2

US 1840	21.5
Britain 1810	14.0
France 1810	7.0

If it were not for the very rapid growth of population in the LDCs - about $2\frac{1}{2}$% per year - the squeeze imposea by agricultural stagnation would no doubt be less severe. The World Bank claims that there is some growth of output per that there is some growth of output per hectare.

But world hunger is not due to natural reasons.

Susan George's book "How the Other Half Dies" is a vigorous "de-bunking effort" (her own words) on this issue. Some points:

a) The ACCs - which are also the world's leading agricultural producers and exporters: the US accounts for 19% of world exports and the EEC excluding Greece for 12% (1980 figures) - produce vast surpluses, and could well produce still more.

b) There are big areas of arable land still uncultivated - the World Bank says estimates range from 500 million to 1.4 million hectacres, in addition to the 820 million now in use.

c) Since World War 2 agricultural productivity has expanded faster than manufacturing productivity in the ACCs. Social, not natural, obstacles stand in the way of a similar expansion in the LDCs.

d) China - probably the only country in the world which has arrived at the limit of its arable land - has had a rapid expansion of agricultural productivity.

Thus, characteristic of the LDCs, and central to the fact that in a period of tremendous technical advance and unprecedented abundance on a world scale, the lives of hundreds of millions are still dominated by hunger and ill-nourishment, are vast hinterlands of backward agriculture.

The most 'advanced' LDCs have areas of terrible poverty in the countryside and on the outskirts of the towns. Of the states for which the World Bank gives figures, Venezuela, Mexico, Brazil, Panama and Peru have the most unequal income distribution. In Mexico the inequality has been increasing since 1958. Such figures are not very reliable, but other evidence points in the same direction. Andre Gunder Frank bases himself on official Brazilian statistics to claim that in that country, 56% of the population are "absolutely marginalised" and 75% "relatively marginalised". In Mexico, he says, 96% of the pre-school population suffers from malnutrition. Celso Furtado writes: "With the exception of Argentina, Uruguay and Cuba, in all the Latin American countries there are sizeable proportions of the population (between 20 and 40 per cent of the total) whose living conditions are determined by the level of productivity in the so-called 'primitive' sector..." (p.88).

Peasants with tiny plots, landless agricultural labourers, and town-dwellers living from petty trade, casual employment, prostitutuion petty theft,etc. are the people who make up this mass of poverty.

Practically no LDCs have any system of state benefits for the unemployed. Unemployment figures are therefore dubious. In any case, unemployed people have no choice but to find someone (another member of their family,usually) to support them, to beg, to get odd jobs, to survive by crime - or to starve. The Financial Times (7.9.82) quotes figures from the UN ECLA for the percentages in various Latin American countries of employees "in domestic or marginal employment". The percentages vary from 56% in Peru through 45% in Brazil and 40% in Mexico to 27% in Uruguay.

Regional variations are huge in many LDCs. In the north-east of Brazil average per capita income is less than one-third of the average for the rest of Brazil: it is about the same as the average for the Philippines or Morocco. If India's states are divided into three groups, richer, poorer, and middling, the average income per head of the 'richer' group is twice that of the 'poorer'.

D. THE AGRICULTURAL ECONOMY

The size of the mass of poverty, and its distance from or closeness to absolute destitution and starvation and starvation, vary from country to country. But its existence, on a much larger scale than in the ACCs, is a constant. Beneath this constant is a great variety of relations on the land. In Latin America, over 50% of the land is in units over 500 hectacres. Even in countries like Mexico where there have been fairly radical land reforms, ownership is concentrated: 45% of agricultural output, by value, came from private units of more than 5 hecta res, while 15% of the population employed in agriculture worked on small private units of less than 5 hecta res and 65% in ejidos (R.Bartra: 1970 figures).

In Asia and Africa, by contrast, about 50% of land is in units less than 5 hecta res. But even there a big proportion of the agrarian population is landless, or has tiny unviable plots.

The agriculture is generally backward, but it is not a separate sphere, isolated from capitalist development in the rest of the economy. Frank has argues this in detail for Chile and Brazil. In India 25% of rural household income comes from non-agricultural activities, and around 40% of income for the poorer 50% of households.

E. THE DEVELOPMENT OF CAPITALISM

Writing before World War 1, Rosa Luxemburg argued that the essence of imperialism was the relation between capitalist and non-capitalist economies. In the polemic that followed, no-one questioned her assumption that the LDCs were largely pre-capitalist.

Today the scene is completely changed. While most LDCs have pre-capitalist residues in their societies, and there is argument about their size and definition, they are indisputably capitalist societies.

From Bairoch's figures (p.86) all but a very few LDCs are "more industrialised" (insofar as a comparison is possible) than Russia in 1900.

The capitalist development has been extremely uneven. A few LDCs have become sizeable manufacturing centres and have begun to export manufactured goods on a large scale. Most have shown a fairly rapid growth of manufacturing, though in some cases from very low lvels. Heavy industry, according to Bairoch, has grown faster than light industry. A number of countries, however, mostly in Africa, have suffered an actual decline in value added in manufacturing over the '70s.

Major exporters of manufactured goods, 1979

	Exports ($1979)	Value added in manuf.($1979) 1970	1979	Growth 1970-9
South Korea	13,299	2,346	9,955	324%
Hong Kong	10,804	1,620	3,596	122%
Singapore	7,372	827	2,080	151%
Brazil	5,876	17,852	40,327	126%
South Africa	5,166	n.a.		
India	3,729	10,202	15,595	53%
Israel	3,654	n.a.		
Mexico	3,389	13,801	23,429	69%
Malaysia	1,966	946	2,597	175%
Argentina	1,888	9,174	11,192	22%
Philippines	1,596	2,816	5,339	90%

(NB. Figures for Hong Kong especially are boosted by re-exports)

Other major manufacturing centres, 1979; value added in manufacturing

Turkey	6386	Egypt	3597
Venezuela	5491	Colombia	3217
Thailand	4154	Nigeria	2890
Indonesia	4136	Algeria	2538
Peru	3830	Pakistan	2056

($ million 1975)

LDCs which suffered a decline in value-added in manufacturing between 1970 and 1979

Zaire, Chad, Somalia, Mozambique, Uganda, Jamaica.

Bairoch (p.176) gives estimates for the proportion of machinery and transport equipment which various LDCs had to import in 1968-70 or thereabouts: five can be identified which imported less than 50% of their equipment.

These are:

Argentina (21%), India (26%), Chile (40%), Jamaica (39%), Mexico(44%).

But this expansion of LDCs manufacturing has flowered especially in the 1970s. LDCs' share of the manufactured imports of ACCs went up from 7% in 1970 to 13% in 1980. According to Bairoch the expansion bagan in 1962: between 1962 and 1970 LDCs' manufactured exports increased at 14.5% per year in current prices (p.99).

From the table above it can be seen that the major manufacturing LDCs in the 1970s all (bar India & Argentina) exceeded the average rate of industrial growth typical of LDCs since about 1960, i.e. about 6% per year, and far exceeded the US growth rate of about 3% per year.

The overall history of capitalist development in the LDCs seems to have had the following stages:

a) Industry before World War 1 was mostly confined to mining and plantations, employing tiny workforces in proportion to the total, and infrastructure (e.g. the railways in India). On the plantations, relations of exploitation often were (and often still are: see Frank) semi-feudal. Only in Mexico and Argentina was there a sizeable 'spin-off' from this export-orientated industry in terms of general industrial development. Both of these countries had massive inputs of foreign capital.

In Argentina, and also in Uruguay, agriculture was capitalist from the start: this bracketed them with Australia and Canada, the other settler states, rather than with the majority of the LDCs. In Argentina there was a major growth of small industrial firms owned by immigrants (see Cornblit).

Barratt Brown gives the following figures for direction of capital investment in this period (p.190,p.168-9).

Britain 1860-70	Dominions 12, India 21, other Empire 3, Latin America (presumably mainly Argentina, Brazil) 10.5, USA 27, Europe 25, others 1.5
Britain 1881-1890	Dominions 29, India 15, other Empire 3, Latin America 20, USA 22, Eurpoe 42, others 9
Britain 1911-1913	Dominions 30, India 10.5, other Empire 5.5, Latin America 22, USA 19, Europe 6, others 7
France 1890s	Europe 39, Russia and Turkey 32
1910s	Europe 29, Russia and Turkey 22, colonies 10

In other words, investment went mostly to a fairly small number of countries: the greater part to other advanced countries, the bulk of the rest to those LDCs which were going through some capitalist development.

b) After World War 1, according to Barratt Brown, French investments were reorientated to French colonies and US investment in Latin America increased. (That investment to other countries was small in relation to the total of the great powers does not mean, of course, that its effect was not often devastating for the country invested in).

But the major turning point was 1929. After the Great Crash the foreign investment of the great powers and their imports declined drastically. The following table (from Kindleberger, p.191) indicates the percentage decline in exports suffered by various countries between 1928-9 and 1932-3.

Percentage decline	Countries
Over 80	Chile
70 to 80	China, Bolivia, Cuba, Malaya, Peru, El Salvador
60 to 70	Argentina, Netherlands Indies (Indonesia), India, Mexico, Brazil, Egypt.

Turkey and Venezuela were comparatively well-off, with only 30 to 45% decline in exports. Prices of primary products also crashed.

But this crash also led, in those LDCs sufficiently developed, to a growth of industrialisation in the form of 'import substitution'. Industries developed which manufactured the goods which could no longer be imported because there were not sufficient exports to pay for them.

'Import substitution' continued in World War 2. The political reflection of this in the '30s and '40s was the various nationalist programmes of Cardenas (Mexico), Vargas (Brazil), Peron (Argentina), etc.

By 1950, according to Bairoch (p.79), the following countries had appreciable proportions of the male working population in manufacturing industry:

Argentina	20.3% (1947)	
Chile	17.1% (1952)	
Mexico	10.3% (1930:	but industrial output had increased 171% between 1929 and 1947 - Furtado p.112)
Syria	9.9% (1950)	
Venezuela	9.4% (1950)	
India	8.2% (1951)	

c) The 1950s and '60s, this reached the point of "generating autonomous finance capital in (countries such as Brazil and Iran), active not only internally but even internationally, with a certain degree of independence from Western imperialism, however close its political and military association with it" (Mandel).

Meanwhile, a number of other states had reached the point that over 25% of their labour force was in industry:

By 1960: Turkey, Jordan, Jamaica, Uruguay

By 1980: Iraq, Lebanon, Algeria, Tunisia, Congo (People's Republic), South Korea.

e) The question of capitalist development in the LDCs is often discussed in terms of 'take-off'. The analogy with aeroplanes is presumably meant to convey the idea of a short sharp rise from one continuing level to anoth. This seems misleading. Industrial development is general in the LDCs (with identifiable exceptions). Rapid growth is not confined to countries in the early stages of industrialisation, but exists mostly in more developed LDCs and in ACCs (e.g. Japan, West Germany). If 'take-off' means a level of development similar to West European countries at the time of their industrial revolutions, then most LDCs (so far as the comparison is possible) have already taken off. The problem is that this 'take-off' does not abolish the horrors of 'underdevelopment'. It may even increase them.

f) Lacking from the above is consideration of the development of capitalism in agriculture in the LDCs. This issue is extremely complicated both theoretically and empirically. It is clear that capitalist tendencies in LDC agriculture have increased, and especially so since the Green Revolution (the introduction of higher-yielding strains of wheat, rice, etc.) But clear-cut capitalist farms, employing wage-labour and regularly transforming methods of production through accumulation of capital, are still a relatively small part of agriculture in almost all LDCs. Clear-cut feudal or 'Asiatic' relations are even rarer. Hybrid or transitional forms are often dominant.

These include: small independent producers whose activity is dominated by the merchants to whom they sell; sharecroppers; 'debt peons' who formally have free commercial contracts but in fact are tied by never-paid-off debts to merchants, moneylenders, and/or landlords. There is much theoretical debate about the characterisation of such forms.

Samir Amin (writing in the mid-'70s: CGR) states:

"In the next stage the pressures of urban capitalism led to great changes in the rural world. In Latin America, in the Arab countries of the Middle East, and in Asia, the era of agrarian reforms began. More or less radical,

> these changes became generalised after the Second World War, with independence in India, with the wave of petty-bourgeois nationalism in the Arab world in the fifties, with the populist movement and especially that of desarrollismo ['developmentism'] in Latin America, also in the fifties. These reforms, in bringing to an end the former class alliances between foreign capital and the big landowners, replaced them with the new triple alliance between foreign capital, the local urban bourgeoisie (private and/or state), and the kulaks [rich peasants]. They formed the social basis of the green revolution which followed". [in the late '60s and early '70s] (p.68)

In sub-Saharan Africa, he argues, the development was different. The colonial system was characterised by small producers selling to, buying from, and dominated by colonial trading firms. Despite low productivity, this system yielded profits to merchant capital because of the low income and harsh labour of the peasants.*

The peasants were formally owners of the means of production; in fact, Amin argues, because their labour was under alien control, and because they received no rent or return on capital, they were 'semi-proletarians', something like home-workers in manufacturing industry.

Independence "brought no change... The new African government fulfills the same functions as the former colonial administration". (p.70)

But, Amin argues, this primitive form of exploitation is being replaced (in some areas, at least) by capitalist farming - leaving vast numbers of the rural population 'surplus'.

> "Thus African agriculture and stockfarming, boosted by the green revolution, will contribute to feeding the Europeans, while the local population will be asked to emigrate or 'disappear'." (p.72)

Goodman and Redclift agree that there is a shift "From Peasant to Proletarian", as the title of their book (published 1981) puts it. They show how state credit for agriculture in Brazil is directed overwhelmingly towards rich farmers and landowners, thus promoting capitalist farming (by converting big landlords into big capitalist farmers) and proletarianising small peasants. But they are much less sweeping in their conclusions than Amin, arguing that hybrid, semi-proletarian, 'transitional' forms can continue for a very long time under capitalism.

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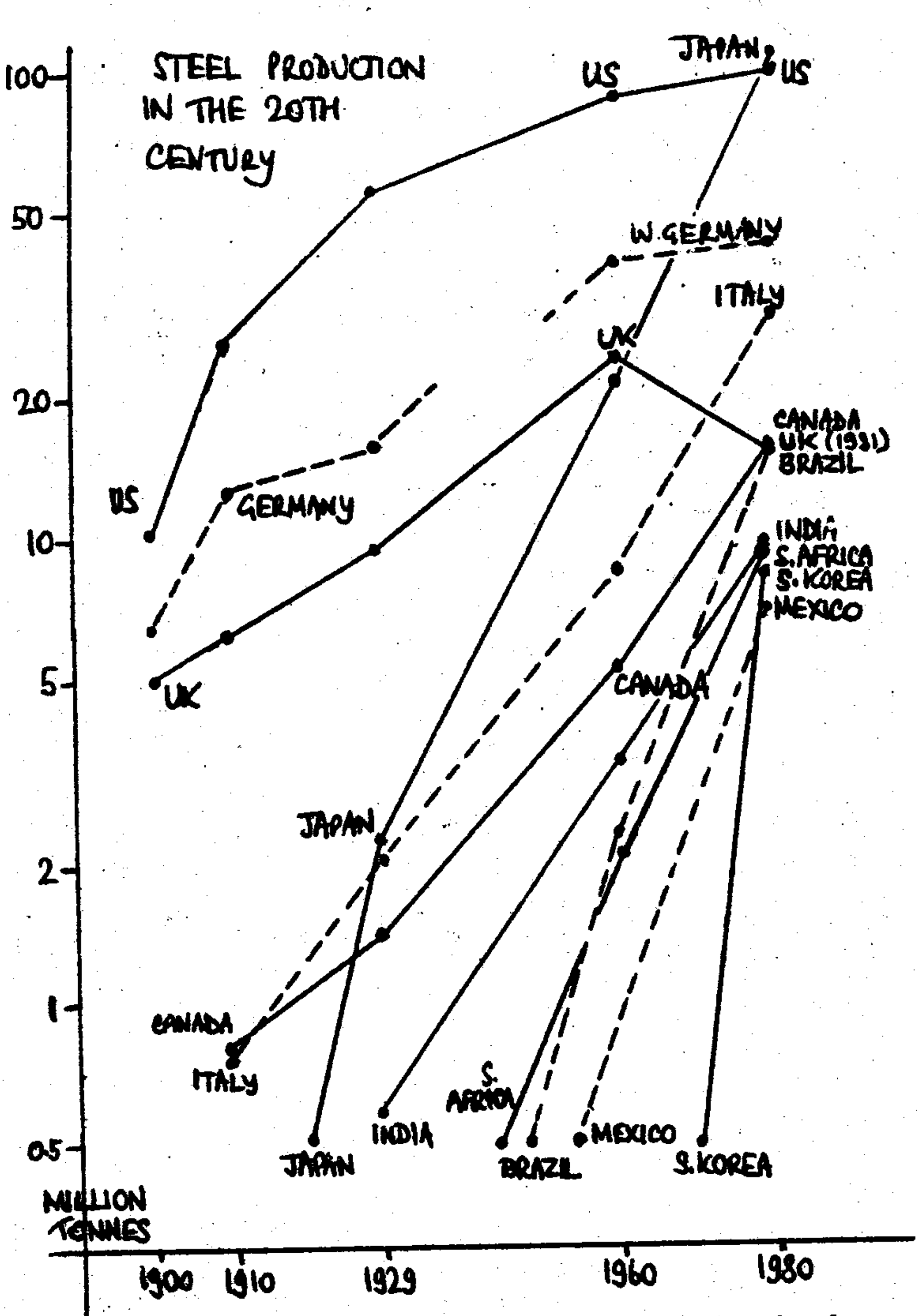
* Referring forward for a moment to an argument in part 2 (page 25): both the small producer/colonial trading firm set-up and the foreign capital/local landlords alliance mean a 'drain of surplus' from colony to metropolis. Yet here as elsewhere the 'drain of surplus' is not the explanation. It is the tendency of imperialism to sustain (and adapt to its needs) certain pre-capitalist forms of exploitation (because of its class alliances) that explains 'underdevelopment' and the drain of surplus here. This tendency was emphasised by Trotsky in his theory of permanent revolution: it is also a major theme of one strand of modern Marxist thinking on imperialism (see survey in Brewer, chapters 8 and 11).



The scale is logarithmic. For simplicity figures are given only for a few selected years and a continuous line is drawn between those years: but it is not necessarily true that growth was even in those years. 1981 figures are used for the UK instead of 1980's, which were depressed by the steel strike. For simplicity, again, some major producers are not included, namely:
– the USSR (by far the biggest producer in the world), E.Europe, China;
– France (which ranks between Italy and Canada), and Belgium, Spain, Netherlands (which rank between Brazil and India).

E1. THE STEEL INDUSTRY

The development of steel production in different countries gives another index of the spread of industrial capitalism.

In 1910, 77% of all steel was produced in the USA, Germany, and Britain. Only nine other countries — six in western Europe, Austria, Russia, and Canada — produced any steel at all.

Steel production spread more widely after World War 1. In 1929, the USA, Germany and Britain — still the three biggest producers — accounted for 69% of world production, but steel industries now existed in China, India, many East European countries, Mexico, Brazil and South Africa.

Between 1929 and 1939 production in the three big centres fell by 2%. Production in the rest of the world rose 50%, and the USSR outstripped the UK as a producer.

1945 saw the US predominant, with 63% of all world production. By 1950 this share was down to 46%, mainly thanks to the rapid revival of steelmaking in western Europe, Japan and the USSR.

By 1960 the shares had shifted — and with a rapid rise in steelmaking in the Third World they shifted much more by 1980.

Shares in world steel output, 1960 and 1980

	1960	1980
Western Europe	32%	28%
USA/Canada	28%	16%
Japan	6%	16%
Africa	0.6%	1.6%
Latin America	1.4%	4.0%
China	4.9%	5.2%
Other Asia	1.2%	4.5%
Australia	1.0%	1.1%
USSR/E.Europe	25%	29%

Percentage change in steel production 1970-80

UK –45% (1970-81); US –15%; W.Germany –3%; Japan +19%; India +52%; Mexico +82%; South Africa +91%; 'Other Africa' (Algeria, Egypt, Tunisia, Zimbabwe) +141%; Brazil +185%; South Korea +1679%.

Brazil is now a bigger steel producer than Britain, and India, South Africa, South Korea and Mexico are not so far behind. (All figures in this section from British Iron and Steel Federation statistics).

E2. WORLD MARKET FACTORIES

The most dramatic aspect of the recent growth of manufacturing in the LDCs has been analysed by Frobel, Heinrichs and Kreye.

In a series of countries, 'free production zones' have been organised. Margaret Thatcher's 'free enterprise zones' are a pale reflection of these. In these zones — usually physically fenced off— multinationals can use cheap labour to produce for export, free from taxes, duties, restrictions on imports or on remittance of profits, or local participation requirements. 'World Market Factories' are the factories in these zones, and some others enjoying similar conditions elsewhere.

These zones are well described by an official South Korean advertising brochure for one of them:

"The Masan Free Export Zone is a specially designed, 175 hectare, industrial free zone where foreign-invested firms can manufacture, assemble or process export products using tax free raw materials and semi-finished goods, most or all of which may be imported for the purpose. The zone embodies the ideal investment climate Korea offers, along with the most liberal incentives, the best facilities and every convenience to foreign investors.

The application of pertinent laws and regulations are waived or eased in regard to the business activities of foreign-invested firms in the zone. Once admitted, occupant-enterprises are not required to obtain the permissions, licences, registrations etc, prescribed by law for some types of business operating outside the zone. In addition, occupant-enterprises are treated on the same footing as public utilities in relation to the handling of labour disputes...

No duties or taxes will be imposed on raw materials, parts, semi-finished goods and equipment brought in for export production.

Export products are exempted from export inspection, except for a very few cases...

Income, corporate, property and property acquisition taxes will be exempted during the first 5 years... The remittance overseas of profits and dividends by foreign investors is guaranteed from the first year of business operations... Low cost labour is abundant and will provide an excellent advantage for products from the zone to compete on international markets. Highly qualified work forces, both male and female, all with at least a primary education and easily trainable, will be continually available from surrounding towns. The average cost of labour in Korea is about 50% that of labour in Hong Kong, 30% of that in Japan, and roughly the same as that in Taiwan..."

They are a recent development. Frobel et al describe the history:

"Industrial production in developing countries for the world market, especially production by foreign firms, did not exist until the middle of the 1960s. In 1966 there were world market factories in operation in four countries: Hong Kong, Taiwan (in one of the first FPZs of the developing countries, Kaohsiung), South Korea and the northern border zone of Mexico. The first FPZ in Colombia, Barranquilla, was established in the same year. In 1967 foreign firms first began to relocate industry to Singapore on a large scale; in 1968 the free zone of Manaus in Brazil was established. In 1969 the first of three FPZs began to operate in the Dominican Republic. A second zone (Nantze) was put into operation in 1970 in Taiwan and a third followed in 1971 (Taichung). 1971 was also the year in which the first FPZ in Mauritius entered the world market for sites for industrial production.

By 1971 FPZs were in operation in a total of nine countries. Between 1972 and 1976 the number of new zones increased rapidly. During this same four year period most of the world market factories located outside FPZs were also established.

World market oriented industrialisation, more specifically, the industrial utilisation of the labour force of the developing countries for world market production which is recorded in the figures here, became established in a matter of a very few years. Whereas scarcely any industrial production for the world market existed in Asia, Africa and Latin America in the mid-1960s, by the middle of the 1970s world market factories were in operation in 79 FPZs in 39 countries and in many sites outside the zones, employing in all 725,000 workers according to our [incomplete] statistics. There were FPZs and WMFs outside the zones under construction in a further 12 countries..." p.316)

From the other angle — of 602 West German firms which had production sites abroad in 1976, only 86 had been producing abroad before 1955 (p.271).

Hong Kong, Singapore, and the northern border area of Mexico are special cases where the whole area is a FPZ. Other major centres of FPZs in the mid-'70s, with numbers of workers employed in FPZs and WMFs, were:

South Korea 112,000; Puerto Rico 97,000; Taiwan 62,000; Malaysia 40,000; Brazil 28,000; Haiti 25,000; Tunisia 24,000; Thailand 17,000; Indonesia 11,000; Philippines 10,000; Mauritius 10,000.

The Financial Times (4.3.83) recently gave a figure of 350