Introduction

The collapse on 24th April 2013 of Rana Plaza, an eight-story building housing several textile factories, a bank and some shops in an industrial district north of Dhaka, Bangladesh, killing 1133 garment workers and wounding 2,500, was one of the worst workplace disasters in recorded history. This disaster, and garment workers’ grief, rage and demands for justice, have stirred feelings of sympathy and solidarity from working people around the world—and a frantic damage-limitation exercise by the giant corporations who rely on Bangladeshi factories for their products yet deny any responsibility for the atrocious wages, living and working conditions of those who produce all their stuff. What made this horrendous event even more shocking and outrageous is that, the day before, cracks had opened up in the building’s structure, an initial inspection had prompted its evacuation and a recommendation that it remain closed, a bank and shops on the ground floor obeyed this advice—but thousands of garments workers were ordered back to work on pain of dismissal. Jyrki Raina, general secretary of IndustriALL, an international union federation, was not exaggerating when he called it ‘mass industrial slaughter’.

The collapse of Rana Plaza not only shone a light on the pitiless and extreme exploitation of Bangladeshi workers. It also unleashed a powerful pulse of x-rays that lit up the hidden structure of the global capitalist economy, revealing the extent to which the capital/labour relation has become a relation between northern capital and southern labour—in no other sector has production shifted so completely to low-wage workers in oppressed nations while control and profits remain firmly in the grip of firms in imperialist countries. But also striking is the remarkable degree to which this reality diverges from fantasies projected by neoliberalism’s apologists. Few informed observers would dispute that Primark, Wal-Mart, M&S and other major UK retailers profit from the exploitation of Bangladeshi garment workers—why else have they raced to outsource the production of their clothes to of the lowest of low-wage countries? A moment’s thought reveals other beneficiaries: the commercial capitalists who own the buildings leased by these retailers, the myriad of companies providing them with advertising, security and other services; and also governments, which tax their profits and their employees’ wages and collect VAT on every sale. Yet, according to trade and financial data, not one penny of US, European and Japanese firms’ profits or government’s tax revenues derive from the sweated labour of the workers who made their goods. The huge mark-ups on production costs instead appear as ‘value-added’ in the UK and other countries where these goods are consumed, with the perverse result that each item of clothing expands the GDP of the country where it is consumed by far more than that of the country where it is produced.1 Only an economist could think there is nothing wrong about this!

All data and experience, except for economic data, points to a significant contribution to the profits of Primark, Wal-Mart and other western firms by the workers who work long, hard and for low wages to produce their commodities. Yet trade, GDP and financial flow data show no trace of any such contribution; instead, the bulk of the value realised in the sale of these commodities, and all of the profits reaped by the retail giants appear to originate in the country where they are consumed. According to the standard interpretation of economic data, as Marx said, the value of commodities “seem not just to be realised only in circulation but actually to arise from it.” 2

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1 Peter Custers quotes an interview with Michael Chossudovsky, who noted that “for each shirt which is produced in Bangladesh and sold in the world market for three dollars, the GNP of the importing OECD countries is going up by about $32.” Peter Custers, 2012 [1997], Capital Accumulation and Women’s Labour in Asian Economies, New York: Monthly Review Press, p141n.

This paper argues that just as Rana Plaza was built on a reclaimed swamp, so the tottering edifice of mainstream economics is constructed on rotten foundations. The cracks that appeared in Rana Plaza shortly before its collapse are symbolic of the crack in bourgeois economic theory which denies that capitalism is a system of class exploitation. This crack can no longer be papered over; like Rana Plaza, to save ourselves we must evacuate this edifice, tear it down, and reconstruct a theory on firm foundations. To contribute to this task, this paper is organised in two parts. The first part uses Bangladesh’s garment industry as a case study to reveal the social, economic and political relations between workers and employers on a world scale that are woven into the fabric of each article of apparel produced in low-wage countries like Bangladesh and of the universe of global commodities produced by the proliferating value chains which connect low-wage southern workers with firms and consumers in imperialist countries. Part two critiques the ruling economic doctrine and advances an alternative approach based on Marx’s theory of value. The conclusion briefly discusses some of the political implications that flow from this.

Part One—‘My third-world sister made my blouse’

Like a lightning flash in the middle of the night, the Rana Plaza disaster cast an intense glare on Bangladesh’s poverty wages—the lowest factory wages of any major exporter in the world, even after a 77% pay increase in November 2013; on its death-trap factories—just five months earlier a fire at nearby Tazreen Fashions killed 112 workers, who were trapped behind barred windows and locked doors while working long into the night; on the violent suppression of union rights—union activists are routinely blacklisted, beaten up and subject to arbitrary arrest; and on the incestuous relations between factory owners, politicians and police chiefs in Bangladesh—no employer in Bangladesh’s garment industry has ever been convicted of an infringement of health and safety legislation. What makes all this particularly relevant to this study is that the garment industry epitomises the export-oriented industrialisation strategy pursued by capitalist governments across the Global South. The apparel industry is “the quintessential example of a buyer-driven commodity chain… [where] global buyers determine what is to be produced, where, by whom, and at what price.” As Frances O’Grady, General Secretary of the British TUC, said in response to the Ran Plaza disaster, “this appalling loss of life proves that, in the global race to the bottom on working conditions, the finishing line is Bangladesh.”

Many commentators have drawn an analogy between the Tazreen and Rana Plaza disasters and notorious disasters in the USA and Europe more than a century ago, arguing that, by catalysing concerted action to tackle underlying causes, these recent tragedies could force Bangladesh’s garment factory bosses to finally clean up their act. Thus Amy Kazmin, writing in the Financial Times, argued that,

“across the globe, industrial disasters have proved effective catalysts for change. New York City’s 1911 Triangle Shirtwaist Fire, in which 146 garment workers – mostly women – were killed in part because fire exits were locked, helped spur the growth of the International Ladies’ Garment Workers’ Union, which successfully fought for better conditions for factory workers, including safety. Many now say that the Rana Plaza disaster – which came five months after a fire at another Bangladeshi factory, Tazreen Fashions, killed 112 people – could start to force similar change.”

3 A line from ‘Are my hands clean?’, a song by Sweet Honey in the Rock.
4 In December 2013, thirteen months after the blaze that killed 112 workers, Tazreen Fashion owners and eleven managers were charged with ‘culpable homicide’—the first time in its history that the Bangladeshi state has attempted to prosecute factory bosses for violations of health and safety legislation. At the time of writing, no date for the commencement of their trial has been set; meanwhile Sohel Rana, the owner of Rana Plaza, is in prison awaiting charges.
6 Press release, 25 April 2013: Bangladesh factory collapse the result of appalling working conditions, says TUC.
There is no doubt that the Rana Plaza disaster will spur the struggle to unionise Bangladesh’s garment industry. But the FT journalist forgets two things. The response of garment employers to the rise of the ILGWU was to move production to non-union states in the USA’s South, and, eventually, out of the United States altogether, to countries like Bangladesh. Today, just 2% of the clothing worn in the United States is actually made there. Peter Custers points out the other weakness in the naïve liberal view expressed by Amy Kazmin:

“It is necessary… to be aware of structural differences between 19th-century British industries and those in contemporary Bangladesh. For, unlike owners of the former, Bangladeshi garment owners are at the lower end of an international chain of subcontract relations, extending from production units in Bangladesh, via intermediaries, to retail trading companies in the countries of the North… [G]arment production has been relocated to, and re-relocated within, the Third World, in order to tap cheap sources of wage labour. While local entrepreneurs obtain a part of the surplus value created, they do not get the major share. Thus, whereas the extraction of surplus value is organised by Bangladeshi owners, its fruits are overwhelmingly reaped by companies in the North.”

Tony Norfield, in The China Price, recounts the story of a T-shirt made in Bangladesh and sold in Germany for €4.95 by the Swedish retailer Hennes & Mauritz (H&M). H&M pays the Bangladeshi manufacturer €1.35 for each T-shirt, 28% of the final sale price, 40¢ of which covers the cost of 400g of cotton raw material imported from the US; shipping to Hamburg adds another 6¢ per shirt. Thus 0.95 of the final sale price remains in Bangladesh, to be shared between the factory owner, the workers, the suppliers of inputs and services and the Bangladeshi government, expanding Bangladesh’s GDP by this amount. The remaining €3.54 counts towards the GDP of Germany, the country where the T-shirt is consumed, and is broken down as follows: €2.05 provides for the costs and profits of Germany transporters, wholesalers, retailers, advertisers etc (some of which will revert to the state through various taxes); H&M makes 60¢ profit per shirt; the German state captures 79¢ of the sale price through VAT at 19%; 16¢ covers sundry ‘other items’. Thus, in Norfield’s words, “a large chunk of the revenue from the selling price goes to the state in taxes and to a wide range of workers, executives, landlords and businesses in Germany. The cheap T-shirts, and a wide range of other imported goods, are both affordable for consumers and an important source of income for the state and for all the people in the richer countries.”

The central point in Norfield is making cannot be emphasised enough—because so many liberals and socialists in imperialist countries try so hard to put it out of their mind. H&M makes handsome profits, to be sure, but these are dwarfed by the state’s take, once taxes on wages and profits of H&M and suppliers of services to it are added to its VAT receipts. The state uses this money, as we know, to finance foreign wars, healthcare and social security, and even returns a few pennies to the poor countries in the form of ‘foreign aid’. As Tony Norfield argues, low wages in Bangladesh help explain “why the richer countries can have lots of shop assistants, delivery drivers, managers and administrators, accountants, advertising executives, a wide range of welfare payments and much else besides.” His blunt conclusion: “wage rates in Bangladesh are particularly low, but even the multiples of these seen in other poor countries point to the same conclusion: oppression of workers in the poorer countries is a direct economic benefit for the mass of people in the richer countries.”

In Norfield’s account the Bangladeshi factory makes 125,000 shirts per day, of which half are sold to H&M, the rest to other western retailers. A worker at the factory earned €1.36 per day, for 10-12 hours, producing 250 T-shirts per hour, or 18 T-shirts for each euro cent paid in wages. Her factory is one of 5000 garment factories in Bangladesh employing 4 million people, 85% of whom are women.

8 Custers, op. cit., p162
10 Ibid.
As noted above, factory wages in Bangladesh are the lowest in the world. An investigation by a UK Parliamentary committee into conditions in Bangladesh’s garment industry following the Rana Plaza disaster reported that “Bangladesh’s comparative advantage, its sole asset value, is cheap labour and its correspondingly low unit costs.” An in-depth report by leading US-based management consultancy McKinsey & Co into the growth of Bangladeshi apparel exports included an extensive survey of the outsourcing behaviour of US retailers, reporting that “[c]ompetitive price level is clearly the prime advantage—all CPO’s [chief purchasing officers] participating in the study named price attractiveness as the first and foremost reason for purchasing in Bangladesh.” The price that CPOs find so attractive is the price of labour, since this is the most important variable affecting the cost of production. But McKinsey & Co, not wishing to offend the sensibilities of their big-business clients, make no mention of low wages anywhere in their study.

For months following the Rana Plaza disaster Bangladesh’s RMG industry was hit by waves of strikes and demonstrations centring on the demand for wage increases (or payment of wages due), the right to form unions and the enforcement of widely-ignored health and safety legislation. The Bangladeshi government, many of whose top officials are factory owners, responded in the same way as to previous upsurges in 2006, 2010 and 2012—with violent repression, using the regular police, the aman (village-based militias) and the ‘anti-terrorist’ Rapid Action Battalion—in addition to the Industrial Police, formed in the midst of the 2010 strike wave, whose sole task is to police garment districts and repress workers’ protests. Its 2900 officers contrast with the grand total of 51 inspectors who, at the time of the Rana Plaza disaster, were charged with enforcing health and safety, minimum age and minimum wage laws in all of Bangladesh’s 200,000 workshops and factories, including 5000 in the garment sector.

Nevertheless, with worker militancy growing and with the glare of world attention upon them, in November 2013 the government conceded a 77 per cent increase in the minimum wage. This was a significant victory, but far short of the 170 per cent wage increase the workers demanded and for which they continue to struggle. It leaves their wages a long way below all estimates of what is needed to feed, clothe and house their families. According to the Asia Floor Wage Alliance, an alliance of Asian trade unions and activist groups such as the Clean Clothes Campaign, the new basic wage is barely one-fifth (!) of what is necessary to nourish, house and clothe a garment worker, one adult and two child dependents. The 2013 wage hike was the first increase since 2010, since when inflation has raised overall prices by 28 per cent, and basic necessities like food and cooking oil by much more.

Low wages make big mark-ups possible. In this example, the total mark-up on the production cost of the ‘fast fashion’ T-shirt is 157%. Much higher mark-ups are to be found on more expensive products; one notorious example being the replica football shirt, “a big moneyspinner with 80% of those sold in the UK made in the Far East for around £5. The factory then sends them onto the sportswear companies at around a 50% mark-up. They in turn mark them up by another 100% and sell them onto the retailers for around £14. The retailers add their own mark-up of at least 150% to bring the price tag up to the recommended retail price of at least £35. That’s 700% more than the manufacture cost.” Another analyst estimates that a Bangladesh-made KP MaLane polo shirt, retailing in the USA for $175, generates a cool 718% markup on its cost of production, while a Hermès polo shirt retailing at $455 boasts a markup in excess of 1800%. These eye-watering mark-ups contrast with the wafer-thin margins left to Bangladeshi suppliers. Writing in the Wall Street Journal, Rubana Huq, owner of a garment factory in Bangladesh, claims to make 12.5c on each shirt

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13 See http://www.thedailystar.net/beta2/news/factory-watch-just-farcical/

14 See https://www.cleanclothes.org/livingwage/calculating-a-living-wage


16 Practical Stock Investing, a blog by Dan Duane: http://practicalstockinvesting.com/2013/05/21/pricing-out-a-low-end-shirt-investment-implications/
whose cost of production is $6.62, a mark-up of 2%.17 This Bangladeshi factory owner is hardly a disinterested party and her claims must be taken with a pinch of salt, but ruthless price-gouging by global buyers is an incontrovertible fact, as a report by British Parliamentarians recognised: “In the buyer-driven supply chain margins are thin and the fear of undercutting is strong. As such the purchasing practices of brands can incentivise violations of health and safety through undisclosed subcontracting, excessive working hours, and unauthorised factory expansions.”18

Eloquent testimony to the pressures focussed on supplier firms by MNCs was provided by factory owner Ali Ahmad, speaking after 289 garment workers were burned to death in a factory fire in Karachi in September 2012:

“You have strikes, load shedding [power outages], local mafias charging you turf protection money—you name it… Plus you have ruthless buyers sitting in the U.S. who don’t care what you do, as long as you do it on time… we take a hit every time we’re late. That means lost margins. That means we do what we need to do to make our orders, fast. This factory owner may have been working extra shifts just for that purpose.”19

According to John Pickles, a leading authority on the global apparel industry, so successful have global buyers been in forcing down wages that they have recently shifted their attention elsewhere: “marginal gains from squeezing labour costs have been reduced significantly in recent years. When wage levels were driven below subsistence costs, and could not be driven any further down, buyers and suppliers sought out savings in other areas of the value chain (input costs, transaction costs, logistics, coordination costs, demand management, etc.).”20 The result is intensifying pressure on suppliers to slash overheads, ignore health and safety legislation, to impose forced overtime and to sub-contract work to other factories lower down in the pecking order, where working conditions are typically even worse than in the first-tier suppliers. This damning verdict was endorsed by UNCTAD in its World Investment Report 2013: “in labour-intensive sectors (such as textiles and garments) where global buyers can exercise bargaining power to reduce costs, this pressure often results in lower wages… In addition to downward pressure on wages, the drive for reduced costs often results in significant occupational safety and health violations.”21

The 'global buyers’ can, however, count on some academic witnesses to protect them against charges of culpability. “Factory owners face huge losses if they cannot complete an order and stiff financial penalties if they do not complete it on time,” reported a major study by Sarah Labowitz and Dorothée Baumann-Pauly for New York’s Stern School of Business.22 Yet this report blames low wages and lethal workplaces on Bangladeshi government corruption, intermittent power supplies, over-population—anything but the conscious and deliberate policies of multinationals corporations. Abandoning even the pretence of objectivity, Labowitz and Baumann-Pauly state at the outset that their study “is written in the context of… a shared desire for higher standards… It starts from the premise that the garment sector has greatly benefited the people and the economy of Bangladesh… [and] that business can and does work for the good of society. We support the goal of business to create value while emphasizing high standards for human rights performance.”23 This fawning tone contrasts with the harsh rebuke handed down to “the government of Bangladesh [which] lacks the political will, the technical capacity, and the resources necessary to protect the basic rights of its workers.

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18 Bangladesh All-Party Parliamentary Group, Ibid., p15.
19 Dara Brown, 2012, ‘We were trapped inside’: Pakistan factory fires kill at least 261. NBCNews.com, 12/09/2012
21 Unctad, World Investment Report 2013 pp158-162
23 Ibid., p6.
Bangladesh ranks at or near the bottom across all measures of good governance, including civil justice, regulatory enforcement, and absence of corruption.\textsuperscript{24}

Also jumping to the defence of big business is Prof. Jagdish Bhagwati of Columbia University, considered to be among the foremost theorists of international trade and who confesses to feeling miffed that he is yet to be awarded the Nobel Prize for economics.\textsuperscript{25} “Since the factories were locally owned and operated, the blame surely belonged to their owners and managers, not to their clients any more than to those of us who purchased the garments at home or abroad.”\textsuperscript{26} For such a brilliant theory, he clearly deserves something!

### The ‘Accord on Fire and Building Safety in Bangladesh’

Well before the Rana Plaza disaster Bangladesh’s dismal record of factory fires and building collapses had provoked intense discussions between NGOs, international union federations (IndustriAll and UNI Global Union) and representatives of western clothing giants. Within two weeks of the building collapse the parties announced the ‘Accord on Fire and Building Safety in Bangladesh’, whose centrepiece is the formation of a new factory inspectorate overseen by a Steering Committee, chaired by the International Labour Organisation, comprising three representatives from international unions and three from international companies.\textsuperscript{27} Several months of lobbying of US and European retail giants resulted in the endorsement of the Accord by over 40 leading brands, with GAP and Wal-Mart being notable exceptions. The parties to the Accord agreed to make “all reasonable efforts to ensure that an initial inspection of each factory covered by this Agreement shall be carried out within the first two years”, and promised the publication of safety reports, remediation and safety training. Supplier companies are required to form health and safety committees made up of managers and workers, the latter to be selected by unions or by ‘democratic election’ where no union is present. Touted as ‘legally binding’, the Accord only envisages penalties—that is, loss of orders—against supplier companies. The whole programme is to be financed by the western ‘brands’, through a subscription related to the size of its business in the country.

As we have seen, the fundamental driving force of the race to the bottom and its attendant ills—starvation wages, rickety buildings, atrocious living conditions—is price gouging by ‘lead firms’. How does the ‘Accord’ address this? A clause in the Accord responded to complaints by factory owners that relentless pressure from by international retailers to cut production costs force them to cut corners. Here is what it says: “participating brands and retailers will negotiate commercial terms with their suppliers which ensure that it is financially feasible for the factories to maintain safe workplaces.” Yet no-one was tasked with monitoring implementation of this clause, there are no penalties for non-compliance, and, judging by the complete absence of any reference to this clause in hundreds of reports and news articles reviewed while researching this matter, it is already a dead letter.

Susceptibility to fire and collapse are far from the only building safety issues in Bangladesh. Most deaths and injuries in the year following the Rana Plaza disaster resulted from stampedes sparked by the outbreak of small fires, revealing the lack of exits and stairwells.\textsuperscript{28} Despite Bangladesh’s sweltering climate, where temperatures often reach into the mid-30s and humidity is high all year round, lack of ventilation (often compounded by chemical vapours from dies and other inputs), are among the unhealthy and unsafe working conditions not covered by the ‘Accord on Fire and Building Safety’. A report in Der Spiegel gave a glimpse of

\textsuperscript{24} Ibid., p9.

\textsuperscript{25} “Rankle is too strong a word… There’s nothing on international trade on which I’ve not written with some success. I shouldn’t be saying it myself but a lot of other people say it.” David Pilling, 2014, ‘Lunch with the FT: Jagdish Bhagwati’, in Financial Times, April 17, 2014


\textsuperscript{28} See ‘Detailed list of 2012–2014 garment factory fire incidents’, compiled by the AFL-CIO’s ‘Solidarity Centre’ in Dhaka. http://www.solidaritycenter.org/Files/Bangladesh.Garment%20Factory%20Fire%20Incidents%20since%20Tazreen%20Fashion%20as%20of%20April%202014.pdf
the hellish conditions endured by workers in one part of the Rana Plaza complex: “about 800 people, 80 percent of them women, were crowded together on this floor. They worked in five rows, with 70 industrial sewing machines per row. There were no fans and there was no air-conditioning.”29 Neither is there any mention in the Accord of excessive and forced overtime, a key health and safety issue, nor are supplier factories required to allow trade unions to organise—despite shop-floor union organisation being the most important line of defence against dangerous working practices. Nevertheless, Jyrki Raina described the Accord as ‘historic’, Philip Jennings, General Secretary of UNI, defined it as a “turning point” that marked “the end of the race to the bottom in the global supply chain,” and a joint press release from IndustriALL and UNI generously described their multinational partners as “the most progressive global fashion brands.”30 After Rana Plaza, Jyrki Raina pledged to “use the global muscle of IndustriALL to create sustainable conditions for garment workers, with the right to join a union, with living wages, and safe and healthy working conditions.” Yet unions in Western Europe and North America outsourced the organisation of protests to anti-sweatshop activists and campaigning charities and did nothing to mobilise their members in solidarity. Unions in North America added their names to an ‘international day of action to end deathtraps’ in June 2013, but there is no evidence of any serious effort to build this action. Instead, their reflex has been to act in partnership with imperialist governments and international brands. The UK trade union Unite and North America’s United Steelworkers, both of whom are affiliated to IndustriALL, issued a joint statement a few days after the Rana Plaza disaster urging the US and European governments “to immediately suspend Bangladesh’s market access under the Generalized System of Preferences” and “to enact laws… that would ban the importation of goods produced under sweatshop conditions.”31 The Generalised System of Preferences (GSP) allows tariff-free imports into North America and Europe from the ‘Least Developed Countries’. In the USA, union officials successfully petitioned the US government to rescind Bangladesh’s tariff-free access to the US market, inducing President Barack Obama to piously declare to US Congress on June 27, 2013, that Bangladesh “is not taking steps to afford internationally recognised worker rights.” Richard Trumka, President of the AFL-CIO, welcomed the decision, declaring, “[t]he decision to suspend trade benefits sends an important message to our trading partners… Countries that tolerate dangerous—and even deadly—working conditions and deny basic workers’ rights, especially the right to freedom of association, will risk losing preferential access to the U.S. market.”32 This move was largely symbolic—because of protectionist pressure from US unions and employers, less than 1% of imports from Bangladesh enter the USA free of tariffs. Until Obama rescinded even this, the biggest beneficiary was tobacco, followed by plastic bags, golf equipment and hotel crockery. In 2013, the US government received $809.5 million in customs duties on $4.9 billion of garment exports from Bangladesh, an average tariff of 16.5%.33 The average wage of the 4 million workers in Bangladesh’s RMG industry in the year of the Rana Plaza disaster, before the November 2013 increase, was $780 per year, for a total wage bill of $3.1bn.34 The USA imports 22% of Bangladesh’s apparel exports, so it can be estimated that 22% of $3.1bn, or $690m, was paid in wages to the workers who produced goods destined for the USA. In other words, the tariffs charged in 2013 by the US government on its apparel imports from Bangladesh alone exceeded the total wages received by the workers who made these goods! And this punitive protectionist policy is carried out at the behest of union officials who claim to be concerned about the plight of Bangladeshi workers!

31 http://www.unitetheunion.org/news/workersunitingstatementonbangladesh/
34 ILO, 2013, Decent Work Country Profile – Bangladesh. Geneva: ILO
The protectionist policies supported by union officials in imperialist countries are roundly opposed by Bangladeshi trade unions and labour activists and for this reason are not promoted by IndustriALL or UNI, which include Bangladeshi trade union affiliates. Dr Supachai Panitchpakdi, Secretary-General of UNCTAD (United Nations Conference on Trade and Development), denounced calls for punitive tariffs as a “a serious threat to the rule-based global trading system,” adding that, instead of penalising Bangladeshi employers and workers in the name of ‘labour rights’, importing countries “must look at the business practices of their retail and wholesale industry because the problem with global value chains is the way they are exploiting the sweat shops in poor countries which are providing cheap labour.”

These issues are not new. Union officials and social-democratic politicians in imperialist countries have long sought to protect ‘their’ workers from ‘unfair competition’ from workers in poor countries, hiding behind feigned concern for human rights in oppressed nations. Their hypocrisy was exposed by Palash Baral, a representative of UBINIG (Policy Research for Development Alternatives), a Bangladeshi NGO, to a seminar in London organised by the UK campaigning charity War on Want in the mid-1990s:

The issues of ‘labour standards’ and ‘workers rights’ have been raised out of no concern for our workers, neither do they constitute any concern for human rights. They are neo-protectionist slogans and reflect attempts by the ruling class of the North to smokescreen the real cause of the economic crisis the North is going through… The World Bank and IMF create the conditions for ‘social dumping’… [then] some NGOs as well as some trade unions propose to ‘civilise’ us… by twisting our arms when we come to sell our products to their markets. They have nothing to say against the World Bank, no complaints about Structural Adjustment and no attempt to understand the transnationals and their behaviour… if one is really serious about labour standards and workers’ rights, then one should join hands with the workers of Bangladesh.

**The iPhone**

In contrast to the humble T-shirt, iPhones and laptops are technologically-complex commodities. Their dazzling sophistication and iconic brand status can too easily blind the observer to the exploitative and imperialist character of the social and economic relations they embody. Nevertheless, the same fundamental relationships that can be seen in the simple article of apparel are also visible in the latest hi-tech gadgetry. The same question that we have asked of the T-shirt hanging from your shoulders could be also be asked of the smart phone in your trouser pocket, or indeed of any other ‘global commodity’, i.e. any other product of globalised production processes. What contribution do the 1.23 million workers employed by Foxconn International in Shenzhen, China who assemble Dell’s laptops and Apple’s iPhones—and the tens of millions of other workers in low-wage countries around the world who produce cheap intermediate inputs and consumer goods for western markets—make to the profits of Dell, Apple, and other leading Western firms? Or to the income and profits of the service companies that provide their premises, retail their goods, etc? According to GDP, trade and financial flow statistics, and to mainstream economic theory, *none whatsoever*. Apple does not own the Chinese, Malaysian and other production facilities that manufacture and assemble its products. In contrast to the in-house, foreign direct investment relationship that used to typify transnational corporations, no annual flow of repatriated profits is generated by Apple’s ‘arm’s length’ suppliers. Just as with the T-shirt, standard interpretation of data on production and trade assume that the slice of the iPhone’s final selling price captured by each US, Chinese, etc, firm is identical to the ‘value-added’ that each contributed. They reveal no sign of any cross-border profit flows or value transfers affecting the distribution of profits to Apple and its various suppliers. The only part of Apple’s profits that appear to originate in China are those resulting from the sale of its products in that country. As in the case of the T-shirt made in Bangladesh, so with the latest electronic gadget, the flow of wealth from Chinese and other low-wage

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workers sustaining the profits and prosperity of northern firms and nations is rendered invisible in economic data and in the brains of the economists.

Apple’s products, and those of Dell, Motorola and other US, European, South Korean and Japanese companies—“an estimated 40 percent of the world’s consumer electronics”, according to the New York Times—are assembled by FoxConn, the major subsidiary of Taiwan-based Hon Hai Precision Industries. Citing a 2012 survey of “ten factories producing Apple products in China, including a Foxconn plant,” Marty Hart-Landsberg reports that

“Low wages compel workers to accept long overtime hours. Most of the factories pay a basic salary equal to the minimum wage stipulated by the local law (around $200/month), so low that workers have to work long hours to support themselves… The average overtime in most of the factories was between 100 and 130 hours per month, and between 150 and 180 hours per month during [the] peak production season, well above China’s legal limits. In most factories, workers generally work 11 hours every day, including weekends and holidays during peak seasons. Normally they can only take a day off every month, or in the peak seasons may go several months without a day off.”

How do the ideologues of neoliberalism justify the brutal labour regimes fostered by the policies they have designed and promoted? Jagdish Bhagwati argues that MNCs provide job opportunities to eager workers at higher rates of pay than alternative jobs and therefore cannot be said to be exploiting anyone: “[i]f the wages received are actually higher than those available in alternative jobs, even if low according to the critics… surely it seems odd to say that the multinationals are exploiting the workers they are hiring!” Such charges seem absurd to him because, whatever the level of wages that prevail within a country, insofar as they are market-determined then that is what these workers are worth, and MNCs paying slightly more cannot be accused of exploitation. Whether or not these wages meet the worker’s minimum biological needs, and how hard or long s/he has to work to earn that wage, is irrelevant. Moreover, “[b]y adding to the demand for labour in the host countries, multinationals are also overwhelmingly likely to improve wages all round, thus improving the incomes of workers in these countries.” Yet almost nowhere have jobs generated by export-oriented industrialisation kept pace with the growth of the labour force, and therefore the downward pressure on wages continues unabated.

In a similarly cavalier manner, Bhagwati dismisses charges that there is any problem with hazardous working conditions and violations of labour law in poor countries—or, if there is, none that multinational companies should take responsibility for.

“[I]t is highly unlikely that multinational firms would violate domestic regulatory laws, which generally are not particularly demanding. Since the laws are often not burdensome in poor countries, it is hard to find evidence that violations are taking place in an egregious, even substantial fashion…. Sweatshops are typically small-scale workshops, not multinationals. If the subcontractors who supply parts to the multinationals, for example, are tiny enterprises, it is possible that they, like local entrepreneurs, violate legislation from time to time. But since the problem lies with the lack of effective enforcement in the host country, do we hold multinationals accountable for anything that they buy from these countries, even if it is not produced directly by the multinationals?”

Bhagwati even uses a feminist argument to defend his beloved multinational corporations. Casting around for evidence of the “liberating effect [on] young girls in Bangladesh” of employment in garment factories, he quotes a study into ‘girl’s adolescence in developing countries’:

40 Ibid., p173
41 Ibid., p173.
“Unmarried girls employed in these garment factories may [!] endure onerous working conditions, but they also experience pride in their earnings, maintain a higher standard of dress than their unemployed counterparts and, most significantly, develop an identity apart from being a child or wife… legitimate income generating work could transform the nature of girls’ adolescent experience. It could provide them with a degree of autonomy, self-respect, and freedom from traditional gender work.”

This is, to say the least, extremely shallow and one-sided. It casually dismisses the conclusions of decades of feminist-inspired research into “the ways in which apparently modern factory organisation drew on, and indeed actively promoted, cultural norms of femininity which helped to legitimate employers’ ‘super-exploitation’ of their predominantly female workforce.” It forgets that MNCs and their suppliers hire ‘young unmarried girls’ in order to profit from their oppression, not to liberate them from it; and it follows from Bhagwati’s own theories of self-interested, profit-maximising behaviour that employers and politicians, who in Bangladesh are often the same people, have every interest in maintaining the double oppression of women—from which they benefit directly, through even-lower wages, and indirectly, by entrenching gender divisions amongst workers. To this end they counter the potentially ‘liberating’ effect of female factory employment by using every weapon at hand to perpetuate female submissiveness—including endemic violence, humiliation and sexual abuse of women workers by male overseers, non-enforcement of laws on maternity leave and childcare and the use of definitions of ‘skill’ to downgrade women’s labour. And this is not to mention the broader ideological offensive, in which promotion of obscurantist religious ideology, which in Bangladesh takes the form of ‘Islamic’ fundamentalism, is aimed at preventing women workers from seeing themselves, and being seen by others, as workers rather than housewives, as full and equal members of society rather than as appendages and possessions of present or future husbands.

Part Two—Global labour arbitrage, ‘an increasingly urgent survival tactic’

By uprooting hundreds of millions of workers and farmers in southern nations from their ties to the land or their jobs in protected national industries, neoliberal capitalism has greatly stimulated the expansion of a vast pool of super-exploitable labour. Suppression of the free mobility of labour has interacted with this hugely increased supply to produce a dramatic widening of international wage differentials between ‘industrialised’ and ‘developing’ nations, vastly exceeding price differences in all other global markets. This steep wage gradient provides two different ways for northern capitalists to increase profits—through the emigration of production to low-wage countries, or the immigration of low-wage migrant workers. The IMF’s World Economic Outlook 2007 (WEO 2007), which included a special study of ‘labour and globalisation’, made the connection between outsourcing and migration quite precisely: “[t]he global pool of labor can be accessed by advanced economies through imports and immigration,” significantly observing that “[t]rade is the more important and faster-expanding channel, in large part because immigration remains very restricted in many countries” But not precisely enough: by the ‘global pool of labour’ they mean the global pool of low-wage labour.

What the IMF calls ‘accessing the global labour pool’ others have defined as ‘global labour arbitrage’ (sometimes ‘global wage arbitrage’), whose essential feature, according to Stephen Roach, the economist most associated with this term, is the substitution of “high-wage workers here with like-quality, low-wage workers abroad.” Roach argues that “[a] unique and powerful confluence of three mega-trends is driving the global arbitrage”. These are “the maturation of offshore outsourcing platforms… E-based connectivity…

42 Ibid., p85.
44 “The example of Bangladeshi garments illustrates well how the patriarchal division of labour is enforced through definitions of skill…. By defining their work as ‘semi-skilled’, the owners make sure that the workforce is disciplined, and that their wages remain far below those of the average male employee.” Custers, op. cit.
45 Ibid., p180
[and]… The new imperatives of cost control.” Of these, ‘cost control’ is the most important, “the catalyst that brings the global labor arbitrage to life.” The first two mega-trends, in other words, merely provide the necessary conditions for the third—reducing the cost of labour—to express itself. Expanding on this, Roach explains that,

“In an era of excess supply, companies lack pricing leverage as never before. As such, businesses must be unrelenting in their search for new efficiencies. Not surprisingly, the primary focus of such efforts is labor, representing the bulk of production costs in the developed world; in the US, for example, worker compensation still makes up nearly 80% of total domestic corporate income. And that’s the point: Wage rates in China and India range from 10% to 25% of those for comparable-quality workers in the US and the rest of the developed world. Consequently, offshore outsourcing that extracts product from relatively low-wage workers in the developing world has become an increasingly urgent survival tactic for companies in the developed economies.”

This is a much sharper and richer description of neoliberal globalisation’s driving force than the one offered by the IMF’s technocrats—or indeed than is to be found anywhere in the radical, ‘value chain’ or Marxist literature. We might ask, though, why Roach says ‘extracting product’ instead of ‘extracting value’—capitalists, after all, are not interested in the product of labour but in the value contained in it. We suspect the answer is that ‘extracting value’ implies that these workers create more wealth than they receive in the form of wages—in other words that they are exploited, challenging the very foundations of modern economic theory, which categorically denies that capitalism is a system of exploitation, and opening the door to the Marxist critique of capitalism, which calls the difference between the value generated by workers and what is paid to them surplus value, the source and substance of profit in all its forms. It is notable that, in order to give the most concrete possible definition of this most important phenomenon, Roach felt obliged to dispense with the empty abstractions of mainstream economics and invoke Marxist concepts and, almost, Marxist terminology.

Despite being jargon, which can act as a code, giving access to those with the key while mystifying everyone else, there are two reasons why ‘global labour arbitrage’ is much more useful than any of the core concepts so far developed by value chain analysts, proponents of global production networks, or neo-Marxist theorists of ‘new imperialism’ and ‘transnational capitalism’. First, ‘global labour arbitrage’ foregrounds the labour-capital relation, spotlights the enormous international differences in the price of labour, and encompasses the two ways in which capitalists can profit from wage differentials—outsourcing and migration. Second, it focuses attention on the fragmented and hierarchically organised global labour market which gives rise to these arbitrage opportunities. ‘Arbitrage’, in the economists’ lexicon, means profiting from imperfections in markets that are reflected in different prices for the same product. By communicating prices across segmented markets arbitrage causes existing price differences to narrow, thereby improving the efficiency of markets and promoting their unification (in contrast, speculators bet on the future movement of prices, typically amplifying price swings)—unless some artificial factor (in this case, immigration controls) intervenes to prevent price differences from being arbitraged away, in which case arbitrage becomes an opportunity for open-ended profiteering. In general, the bigger the market imperfections, the bigger are the price differences and the bigger the potential profits—and there’s no market more imperfect than the global labour market.

That capitalist firms seek to boost profits by cutting wages is hardly a startling revelation. Their employees don’t need Stephen Roach to tell them this. Indeed, Roach’s advice is not intended to alert workers to the challenges they face but to advise capitalists what they need to do more of. Stephen Roach is not alone in according primacy to capitalists’ voracious appetite for low-wage labour. His views deserve the attention given to them here because when he expressed them he was not an academic viewing the world from an ivory tower but chief economist for Morgan Stanley, the leading investment bank, with particular responsibility for its very active Asian operations, and because he has gone further than most in analysing how and why wage arbitrage is the essence of outsourcing. Roach’s emphasis on the ‘extraction of product’ from ‘like quality’

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48 Ibid., p6.
low-wage workers in India, China etc by MNCs headquartered in ‘developed economies’—and his plain speaking—contrasts with the general rule in academic and business literature, which is to obfuscate this most important point and treat labour as just one factor of production among others, making glancing, desultory references to wage differentials as one of a number of possible motives influencing outsourcing decisions. IBM CEO Samuel J. Palmisano gave a classic example of this in an article in *Foreign Affairs*:

“Until recently, companies generally chose to produce goods close to where they sold them… Today… companies are investing more to change the way they supply the entire global market… These decisions are not simply a matter of offloading noncore activities, nor are they mere labor arbitrage. They are about actively managing different operations, expertise, and capabilities so as to open the enterprise up in multiple ways, allowing it to connect more intimately with partners, suppliers, and customers.”

### Global labour arbitrage and the theory of ‘comparative advantage’

A survey of outsourcing literature published by the World Trade Organisation (WTO) and the Hong Kong-based Fung Global Institute (FGI) asks two questions which serve well as a starting point for this discussion: “why did firms in advanced economies find it profitable to increasingly offshore tasks or parts of the production process to developing economies? And does international trade theory need a new framework to study this phenomenon of global supply chains?”

Their answer to the first question: “just absolute differences in unskilled labour wages between developed and developing economies, driven by differences in factor endowments, made cross-border production sharing profitable,” accords well with Stephen Roach’s concept of global labour arbitrage, and—if we strike out ‘driven by differences in factor endowments’—shares its qualities of clarity and directness. ‘Differences in factor endowments’ is a euphemistic reference to the vast unemployed and underemployed reserve army of labour, dehumanised and converted by the bourgeoisie mind into a ‘factor of production’, and the purpose of its inclusion is to justify the authors’ affirmative answer to their second question, which is that no, ‘international trade theory’ does not need a new framework. Production outsourcing to low-wage countries, the WTO-FGI researchers argue, “stays true to the concept of comparative advantage, as defined by the Heckscher-Ohlin model of trade,” in which each country “use[s] its relatively abundant factor of production relatively intensively.”

Fleshing out their ‘concept of comparative advantage’ the WTO-FGI researchers predict that, “a relatively unskilled, labour abundant developing economy would complete and export the relatively unskilled labour intensive tasks… Similarly, a relatively capital or skilled labour intensive country would export intermediate products, such as capital goods and design and research and development services.”

This boils down to a banal assertion that each country will try to use its resources to its own benefit. The H-O model turns this simplistic truism into a theoretical model by making three false and far-fetched assumptions. The first is that the H-O model turns this simplistic truism into a theoretical model by making three false and far-fetched assumptions. The first is that products for final sale cross borders but ‘factors of production’ do not—there is no place in the H-O model for foreign direct investment or indeed any international capital flows, and this also rules out structural trade imbalances, since the resulting accumulation by one country of claims on the wealth of another is tantamount to foreign investment. As for the immobility of labour, this is treated as a fact of nature that needs no explanation. The second assumption is that all ‘factors of production’ are fully utilised, a necessary condition for ‘equilibrium’, i.e. for supply and demand to be balanced and for the ‘factors of production’ to be rewarded to the full extent of their contribution to their firm’s output. It assumes, in other words, the validity of ‘Say’s law’, after the classical economist Jean-Baptiste Say, who more than 200 years ago argued

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51 Ibid., p30. [Eli] Hecksher and [Bertil] Ohlin are often joined with Wolfgang Stolper and Paul Samuelson to give the ‘H-O-S-S model of international trade’—the ‘Stolper-Samuelson theorem’, an alleged refinement of the basic H-O model, predicts a tendency towards the equalisation of factor prices (including wages) between nations.

52 Ibid., pp29-30.
that, in Keynes’ words, supply creates its own demand.\(^{53}\) Heterodox economists from Keynes onwards question whether the ideal state resulting from these two assumptions has any practical relevance.\(^{54}\) Marxists argue that this ideal state is itself absurd, pointing to the third and most important of the fallacious assumptions upon which ‘modern trade theory’ and indeed the entire edifice of bourgeois economic theory is based—the conflation of value and price, or the presumption that the value generated in the production of a commodity is identical to the price received for it. This conflation is achieved by making the production process invisible; the exchange value of commodities is not only discovered but determined by the confrontation in the marketplace of individual buyers and sellers whose sovereignty and equality is presumed. Modern trade theory, in essence, is constituted by substituting individual nations for individual property owners.

The WTO-FGI researchers contrast the H-O model of comparative advantage with what they call the ‘Ricardian model’: “The Heckscher-Ohlin model of trade argues that technology is freely available across countries and hence comparative advantage is determined by relative factor endowments. In contrast, the Ricardian model of trade stresses differences in technology as the basis of international trade – countries tend to specialise in activities about which their inhabitants are especially knowledgeable.”\(^{55}\) The ‘Ricardian model’ is given its moniker because ‘differences in technology’ imply differences in the productivity of labour, and David Ricardo’s original theory hinged on the difference in the productivity of weavers and wine-makers in Portugal and England.\(^{56}\) Yet on closer inspection this theory has much more in common with the H-O approach than with Ricardo’s original theory. Ricardo, along with Karl Marx and Adam Smith, espoused the labour theory of value, according to which only one ‘factor of production’—living labour—is value-producing; materials and machinery merely impart to the new commodities already-created value used up in the process of production.\(^{57}\) Eli Heckscher and Bertil Ohlin replaced Ricardo’s labour theory of value with a two-factor (labour and capital) model, in which the relative abundance of each determines where the supply and demand curves intersect, which in turn determines the value of commodities and thus the productivity of the labour that produces them. The so-called Ricardian model does essentially the same thing with its two-factor production function; both are founded on a tautological identification of value and price and on the circular reasoning which springs from this. The difference between them is where in the circle they choose to begin, but between both of them and the theories of the classical economists there is a chasm.

The globalisation of industrial production and of the working class

During the neoliberal era efforts by capitalists in imperialist nations to cut costs and boost profits by substituting higher-wage labour with lower-wage labour has been the principal force driving and shaping the globalisation of industrial production. There are in fact two ways for northern capitalists to ‘extract product’ from low-wage workers: by migrating their production processes to low-wage economies or by employing workers who have migrated to the imperialist nations. The IMF explained this quite precisely: “the global pool of labour can be accessed by advanced economies through imports and immigration”, observing that outsourcing “is the more important and faster-expanding channel, in large part because immigration remains very restricted in many countries.”\(^{58}\)


\(^{54}\) The WTO/FGI researchers’ literature review ignores the copious heterodox literature on value chains and production networks that has raised important questions about the lack of correspondence between these fantastic assumptions and the realities of the global political economy.

\(^{55}\) Park et al, ibid., p30.


Many antecedents of modern cross-border, wage-driven production outsourcing can be found in previous phases of capitalist development. Yet only during the neoliberal era has it become prevalent, a vastly increased source of surplus value that provides crucial support to the rate of profit in imperialist countries. Production outsourcing has also reshaped the world working class: the share of the world’s industrial workers living in ‘emerging nations’ grew from one half in 1980 to four-fifths in 2010. In that year, according to the ILO, 541 million industrial workers lived in ‘less developed and 145 million in ‘more developed regions’. The true extent of this shift of production is even greater than these numbers suggest. In 1980 much of the South’s industrial proletariat produced for protected domestic markets. Neoliberal reforms dismantled these protections and destroyed many of these jobs, while the numbers employed in export-oriented industries surged. Since then, the growth of the South’s industrial workforce has been a function of its integration into global value chains dominated by ‘lead firms’ headquartered in Europe, North America and Japan. The scale of this shift can be starkly seen in the changing composition of southern trade. In 1980, four-fifths of African, Asian and Latin American exports were ‘primary commodities’, that is, natural resources and agricultural products. By 1995, manufactured goods had risen from a fifth of rapidly expanding southern exports to two-thirds, a flood-tide since swollen by China’s integration into global supply chains.

Neoliberalism’s triumph was not inevitable. It was not the only possible outcome to capitalism’s systemic crisis of the 1970s. Deepening class struggle in the imperialist countries and revolutions in Vietnam, Iran, Nicaragua, Grenada and elsewhere could have opened the door to an anti-imperialist and socialist path of development. Many factors, however, including disunity and misleadership, led to missed opportunities and defeats. Revolutionary Cuba was left to pursue this path alone. The only capitalist way out of the crisis for ruling classes in low-wage nations was to submit to ‘structural adjustment’—the neoliberal recipes concocted by imperialist governments and administered by the IMF and World Bank—and to take the road of export-oriented industrialisation by offering up their living labour to multinational corporations and ‘global buyers’. South Korea, Singapore, Hong Kong and Taiwan gained ‘first mover’ advantage, while the fate of other nations taking the road of export-oriented industrialisation has been an increasing ‘race to the bottom’, a verdict confirmed by many studies, including one by William Milberg and Deborah Winkler, who concluded, “the finding that so few countries experience broad-based economic upgrading are [sic] supported by recent studies showing that the export-led growth strategy adopted by most developing countries following the debt crisis in the 1980s has... result[ed in] a disproportionately small rise in value added, implying minimal economic upgrading.”

Wages, productivity and the GDP Illusion

Since global wage differentials have played such an important role in the neoliberal era it is worth reminding ourselves just how wide these differentials are. Data on average wages mask growing wage inequality within nations and are especially suspect in low-wage countries, where they typically count only those in formal employment, ignoring widespread underpayment and illegally low wages. Data on Chinese wages often exclude migrant workers and ignore significant regional variations. Bearing this in mind, the US government’s Bureau of Labour Statistics reports that, despite decades of wage stagnation in the US and years of above-inflation wage rises in China, average hourly ‘labour compensation’ (wages plus benefits) of US manufacturing workers in 2010 was twenty times greater than in China ($34.74/hr vs. $1.71/hr). This significantly understimates the global picture, since labour compensation in Canada, France and Germany is higher than in the US, while wages in India, Sri Lanka, Indonesia and Vietnam are even lower than in China. Bangladeshi wages are lowest of all.

Widely touted statistics on unemployment in poor countries also suffer from poor data collection and political manipulation. These statistics often take no account of the fact that, in the absence of social security, workers simply cannot afford to be unemployed and are compelled to find work in the burgeoning informal economy. Thus the World Bank reports Bangladesh’s rate of unemployment to be a ludicrously low 5 per

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cent yet ILO data shows that in 2010 23.26 per cent of all Bangladeshi workers were in ‘precarious/casual employment’ with men earning just $2.20 per week and women less than $1 per week (ILO, 2013: 34).

Clearly, wages are profoundly affected by conditions in labour markets—for example, the repression of unions, massive unemployment and underemployment, extreme rural poverty, the manipulation of gender and ethnic divisions—none of which have any direct bearing on the productivity of workers when at work. This is one reason to question the widespread belief of mainstream economists that low wages in ‘emerging economies’ merely reflect the low productivity of their workers. That Western firms are so keen to outsource production to the other side of the world is compelling evidence that the low wages they find so attractive are not cancelled by low productivity. Why is this important? Because, to the considerable extent that international wage differentials do not reflect differences in productivity, they must reflect international differences in the rate of exploitation. And a higher rate of exploitation signifies that a greater portion of the wealth created by these workers is captured by capitalists and, through competition, turned into profit. It is vitally important to understand how this happens, and how it is rendered invisible in standard interpretations of economic data.

Statistics on GDP, trade and productivity suffer from even more severe defects than those afflicting wages and employment. Here the problems are conceptual, not technical. Value-added, defined as the difference between the prices a firm pays for its inputs and the prices it receives for its output, is the content of GDP—the total value-added generated by all firms within an economy; and also of productivity—‘value-added per worker’. According to mainstream economic theory, ‘value-added’ is identical to the value generated within the firm’s own production process, which presumes that none of it may leak to other firms or be captured from them. The production process is thus not only a black box, where all we know is the price paid for inputs and the price received for outputs, it is also hermetically sealed from all other black boxes in that no value can be transferred or redistributed between them.

Marxist political economy rejects this absurdity and advances a radically different conception: ‘value-added’ is really value captured. It measures the share of total value generated by all workers that is captured by a firm, which does not in any way correspond to the value generated by the living labour employed within that firm. Indeed, many firms supposedly generating value-added are engaged in nonproduction activities, such as finance, security and advertising, which produce no value at all.

If, within a national economy, value produced by workers in one firm (that is, in one production process) can be redistributed through competition to other firms, it is irrefutable that, in the era of globalised production, such value-transfers also occur between firms in different countries. To the extent that it does, GDP departs ever further from being an objective, more-or-less accurate approximation of a nation’s product. Rather, GDP becomes a veil that conceals greatly expanded exploitation by northern capitalists of southern living labour.

Redefining ‘value-added’ as value captured transforms our perception of the global economy. It allows us to see that a major part of the revenues and profits from the sale of the products of global value chains accruing to firms based in imperialist countries, their distributors and their employees, and the very large cut which is taken by governments and used to pay for foreign wars, the social wage etc, represents the unpaid labour of super-exploited Chinese and other low-wage workers. It allows us to understand why, according to standard interpretations of GDP and trade data, these massive transfers of wealth are invisible but no less real. And, finally, it allows us to see that profits, prosperity and social peace in Europe, North America and Japan is, at than at any time in capitalism’s history, dependent upon the super-exploitation of low-wage labour in the Africa, Asia and Latin America. Acknowledging this reality is to acknowledge that neoliberal globalisation marks not the supersession of imperialism but the culmination of capitalism’s imperialist trajectory.

Conclusion

Bangladesh eloquently illustrates how firms’ profits and governments’ tax revenues in imperialist economies have, during the neoliberal era, become increasingly dependent on the super-exploitation of Southern
workers, both through outsourcing/offshoring and through migration, and the Rana Plaza disaster epitomises the enormous human price that hundreds of millions of working people worldwide have to pay for this so-called ‘development’. Furthermore, this expanded super-exploitation helps capitalists and their governments to attack rights and to increase workers’ exploitation in the North. But this is only one side of a complex picture. Access to ever-cheaper consumer goods has mitigated the effects of austerity and wage repression on workers’ living standards in imperialist countries, while greatly increased competition between workers north and south leads to a reflexive protectionism, fatal to any prospect of building international working class unity. Attempts to defend living standards and social provision at home by pursuing “national” solutions are not only ineffective, they strengthen xenophobia and dovetail with efforts by capitalist politicians to play on national, racial and gender divisions.

This article began by considering the adverse conditions, brave struggles and only modest gains won by Bangladeshi workers since the Rana Plaza disaster in April 2013. Particular attention was given to workplace safety, where activity by anti-sweatshop campaigns and international union federations has been most intense and has yielded some tangible results. The Accord on workplace safety struck between international unions and international brands may result in some improvements. Time will tell. The brands will trumpet their new-found concern for worker safety. But women and men in Bangladesh and other low-wage countries will continue to work long hours in unhealthy workplaces for starvation wages, boosting the profits of western corporations and governments.

The most important achievements of the struggles sparked by the Rana Plaza disaster are the sense of potential power they have given to participants, the impetus they have imparted to union organisation, and the sympathy they have won from working people around the world. In order for this sympathy to become real solidarity, workers in imperialist countries must join with them in the struggle to abolish the racial hierarchy of nations and the tremendous disparities associated with it. This is the only alternative to a mutually-destructive race to the bottom, the only way to resist xenophobia and fascism, and the necessary condition for achieving an authentic globalisation—a world without borders—in which no one has more right to a job, an education or a life than anyone else. As Malcolm X said, “Freedom for everybody, or freedom for nobody!”

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