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978-0-521-38672-2 - The Mobility of Labor and Capital: A Study in International Investment and Labor Flow

Saskia Sassen

Excerpt

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## Introduction

Capital mobility has created new conditions for the mobility of labor. Economic practices and technology have contributed to the formation of a transnational space for the circulation of capital. Policies, many originating in the United States, delimit, regulate and make this space viable. What economic theory as well as governments define as movement between countries is also movement within one single entity encompassing those countries. The central question organizing the inquiry in this book concerns the impact of such a transnational space for the circulation of capital on the formation and directionality of international labor migrations.

This is a new version of an old question. In the late nineteenth century some of the leading political economists debated the impact of free trade on the international movement of labor and capital. Eighteenth-century free trade theory rested on the assumption of international factor immobility; the international circulation of commodities was seen as a process separate from the mobility of capital and labor. These were considered to have mobility only within a country. The transformations brought about by international trade were to be absorbed by the internal mobility of labor and capital across classes and across occupations. The movement of capital and labor from England to its overseas territories was seen as part of the colonization process and, unlike free trade, requiring state regulation. Debating the impact of free trade on the international mobility of labor and capital represented, then, an advance over the discussions of the eighteenth and early nineteenth centuries, which had excluded reference to such a possibility. Today, much of the literature about international labor migrations on the one hand and international trade and investment on the other is characterized by the same absence of mutual references.

In his landmark study on international migration in the Atlantic economy of the 1800s, Brinley Thomas (1973) posits that free trade

contributed to the formation of a system that encompassed England, Germany, and the U.S.A., and functioned as a single entity. International movements of labor and capital from England to the U.S. took place inside this system rather than between two countries. Thomas shows theoretically and empirically that free trade did induce international migration of capital and labor, and he formalizes these elements into a central hypothesis: that free trade under conditions of social stratification – that is to say, immobility of labor and capital across social classes – brings about emigration. In Thomas's analysis, the emigration of capital and labor from England went to a country, the United States, where there was no such stratification.

Applied to a different historical period, this same question evinces novel interactions. The concrete forms assumed by the process of internationalization today are different. And so are the leading investment sectors and the spatial organization of investment activity. The gravitational force attributed to free trade in the eighteenth and nineteenth centuries has now shifted to various forms of the international circulation of capital. To the internationalization of trade, so central to the free trade era and the theory, we now must add the internationalization of production sites through foreign investment. The question then becomes what are the specific forms under which the internationalization of production contributes to the formation of labor migrations; also the related question arises of what are the specific forms under which international labor migrations become incorporated into the internationalization of production?

The book addresses these questions by focusing on processes that contain pronounced forms of this internationalization. Three stand out. One, beginning in the middle 1960s, is the development of production for export in several Third World countries through a massive increase of direct foreign investment and international subcontracting by industrialized countries. We are seeing the development of an off-shore production sector for these countries, especially in agriculture and manufacturing but now increasingly also in clerical work. Export Processing Zones are the most formalized instance. A second process is the development of major cities into nodes for the control and management of the global economic system. These cities become production sites for a wide array of specialized services, including financial services, necessary for such management and control and thus produced mostly for export. New York City and

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Los Angeles are leading examples. A third process is the recent emergence of the United States as the major recipient of direct foreign investment in the world, after being the main exporter of capital for thirty years. In these three locations we can posit an intersection between the internationalization of production and international labor migrations. The major task of the empirical analysis in this book is to document and explain the concrete forms of this intersection.

The crucial period for analysis is the one beginning in the middle of the 1960s, when there are significant transformations in the magnitude and composition of global foreign investment flows. This is also the period of massive new migrations. The largest of these flows are the migration from Southern Europe and North Africa to Western Europe, from the Caribbean Basin and South-East Asia to the U.S., and from the Middle East and South Asia into the Arab oil-exporting countries. The main focus of this book is on the U.S., a central participant in both the growth of direct foreign investment and the emergence of new international migrations.

The current migration to the U.S. shares a number of general traits with earlier migration phases. But it is also predicated on specific conditions that arise out of the reorganization of the world economy over the last two decades. Emphasizing the latter, as this book does, is not a denial of the weight of the general conditions at work in most migrations. It is, rather, an attempt to identify the particular historical and political context of the current migration phase. It means, for example, viewing the 1965 liberalization of U.S. immigration policy as but one instance of a whole series of policies, from the lifting of import-export restrictions to the implementation of the eurodollar market, that had the effect of internationalizing the country's economy. The overall result was the formation of a transnational space within which the circulation of workers can be regarded as one of several flows, including capital, goods, services, and information.

However, the fact that not all countries became large-scale senders of immigrants points to the need for specifying the manner in which countries are incorporated into this transnational space. A key assumption in much thinking about immigration in the U.S. is that poverty, overpopulation and a stagnant economy are the central causes for emigration. Most countries in the Third World have one or more of these conditions; yet most do not have significant emigration flows. We need to understand whether there are specific kinds of

linkages between the U.S. and those countries that do become major senders of immigrants to the U.S. It may well be that particular forms of incorporation into the internationalization of production coalesce with basic conditions such as poverty or unemployment to promote a migration inducing situation.

In what follows I will briefly discuss how these conventional variables fail to explain the current migration phase adequately and whence the need to recognize the migration impact of other conditions.

THE CLASSICS: OVERPOPULATION, POVERTY, ECONOMIC  
STAGNATION

Population growth in Third World countries cannot be disregarded, as it signals the possibility of increased emigration. However, there is considerable evidence that not all countries with high population growth have high emigration. A second consideration that needs to be incorporated into the analysis of population growth and migration is the relation between population growth and population density. Some of the countries with high population growth in the Third World do not necessarily have high density, certainly not compared with countries such as France, the Netherlands, or Luxembourg. The assumption that migrants come from countries with very high population growth where there is simply no room left for them requires careful examination. Excessive population density may not necessarily be the main reason for migration. While it would be very useful to have a criterion as simple and quantifiable as population growth to predict what countries will be emigration countries, the migration reality is less tidy and more elusive. The issue of population growth needs to be placed in context precisely because it has received so much attention and because it makes intuitive sense to see it as a key factor promoting emigration.

Once we posit that a country with high population growth may have high, medium, or low population density and may have high, medium, or no emigration, then the relation between these demographic variables and emigration emerges as more complex than is usually assumed or explicitly postulated. It then becomes clear that we need to introduce a number of other factors into the analysis. This need to introduce additional factors is evident and generally accepted in the case of war refugees. Few, if any, would insist that refugee flows

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are generated by high population growth and density, even though refugees may come from countries with those characteristics and even though these may lead to war. Yet an insistence on demographic explanations is common in the analysis of labor migrations. Further, refugee policies acknowledge indirectly that U.S. military activities abroad make the U.S. accountable, at least to some degree, for the fate of an ally's displaced people. Refugee entitlements carry such an acknowledgement. One might ask whether people displaced because of commercial developments by U.S. corporations abroad, i.e. large-scale export crops, are entitled to certain indemnities for being forced to become emigrants. This kind of formulation is never introduced into the immigration debate.

There is a similar need for a critical examination of the relation between emigration and poverty. Poverty is held to be a basic migration push factor. This raises two questions. First, why are *not* all countries with extensive poverty emigration countries? Secondly, why is it that large-scale emigration in what are today the main sending countries started when it did and not earlier, since many of these countries were poor long before emigration commenced? Haiti was poor long before massive emigration began in the early 1970s. The Dominican Republic had considerable unemployment, underemployment, and poverty long before large-scale emigration began in the middle 1960s.

Finally, it becomes necessary to examine the relation between emigration and economic growth. Again, one key assumption has been that emigration is a consequence of stagnant economic growth. Yet growth rates in employment and domestic product in the main migrant-sending countries were relatively high during the 1970s, certainly compared with those of developed market economies. These high growth rates do not preclude the existence of unemployment insofar as job creation, even if high, may not be able to keep up with labor force growth or with unemployment in sectors of the economy other than those experiencing high growth. But what does need to be emphasized is that these growth rates were considerably higher than rates in other countries which did not have high emigration. That is to say, the long-held assumption that a stagnant economy generates emigration is not necessarily borne out by the facts in the current emigration phase. To cite one of the most blatant examples: South Korea, with one of the highest growth rates in GDP, in general employment, and particularly in manufacturing employment, also

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was one of the countries with the highest growth rate in migration to the U.S.

The possibility of migration pressures under conditions of poverty unemployment, and overpopulation cannot be denied. Yet it has become evident that by themselves these conditions will not promote large-scale emigration. It is necessary to identify processes that transform these conditions into a migration inducing situation. This distinction may carry significant implications for policy. Given U.S. attempts to regulate immigration, what may be needed is a recognition of such intervening processes. Thinking and policies stemming from this recognition may carry a rather different focus from current U.S. policies aimed at controlling the border or reducing population growth and promoting economic growth in Third World countries. Recognition of intervening processes may move the focus away from conditions in emigration countries and invite an examination of processes that link the U.S. to those countries and may contribute to the initiation of new migration flows to the U.S. And it would invite an examination of labor demand conditions in the U.S. that may contribute to the continuation of such flows. Policies stemming from such a recognition may have to address issues not usually considered relevant to immigration.

#### A DOMESTIC OR AN INTERNATIONAL ISSUE?

A focus on high population growth, poverty, and economic stagnation easily leads one to view migration as a domestic matter, and the inadequacy of socio-economic conditions and policies in countries of origin as promoting emigration. Immigration, in turn, becomes a domestic matter (or “problem”) for the receiving country. For humanitarian or more pragmatic reasons, a receiving country, such as the U.S., commits itself to accept immigrants under certain conditions. The acceptance of immigrants is based ultimately on factors internal to the U.S., including a tradition of immigration. If international factors are brought to bear on immigration policies or decisions concerning immigrants they are typically not viewed as pertaining to migration but rather to other economic or diplomatic ties between the countries involved. Migration simply becomes an obvious, handy, or unavoidable arena within which these other issues can also be played out. A classic example is the use of the migration situation in oil negotiations between Mexico and the U.S.

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This book introduces international factors into the analysis of migration, specifically the effects of U.S. foreign policies and activities in migrant sending countries and in the U.S. domestic economy. Once we introduce international factors it becomes evident that U.S. immigration policies and practices address, wittingly or not, both domestic and international issues that have to be dealt with in the domestic arena, i.e., inside the territory of the U.S. In its most extreme version, the current phase of U.S. immigration could be seen as representing, in addition to all the other dimensions it represents, a domestic consequence of U.S. activities abroad. One can point to the active role of U.S. firms in the disruption of “traditional” economies due to large-scale development of commercial agriculture with its associated displacement of small-holders and subsistence growers, or due to massive recruitment of young women into wage labor for export manufacturing. By “traditional” economies I refer to a whole range of activities, from subsistence and semi-waged types of work to industrial activity geared to the local or national market, with no or little foreign investment and typically less mechanized than would be the case in highly developed countries. As I discuss at length in Chapter 4, the disruption of these forms of work need not be an inevitable consequence of the development of agriculture and manufacturing for export. Yet historically that has tended to be the case. Furthermore, this disruption does not necessarily generate emigration. Other objective and ideological linkages need to be established between the sending and receiving countries. It is here that the facts of foreign investment and general cultural westernization acquire weight, as do a liberal immigration policy and a tradition of immigration.

In each of the major countries sending immigrants to the U.S. today, we can find a specific set of conditions which, together with poverty and unemployment, induce outmigration. As these will be discussed at length in Chapter 2 in their general form and in Chapter 4 in the forms specific to the current phase, here I briefly touch upon items that have not received sufficient attention in the debate on immigration to show the importance of introducing international factors into the analysis.

Emigration from the Dominican Republic began in the middle of the 1960s. Subsequent to the election victory of Bosch in the Dominican Republic, the U.S. government sent marines to Santo Domingo. This occupation had, among others, two effects that

directly bear on emigration: (1) it created a stream of middle-class political refugees who came to the U.S. and (2) it created objective linkages with the U.S. Both of these eventually evolved into conditions that facilitated further emigration of Dominicans to the U.S. and, very importantly, the emergence of emigration to the U.S. as an option actually perceived by individuals as available to them. Further linkages were consolidated via direct foreign investment in agriculture and manufacturing for export.

In the case of Haiti, insufficient attention has been given to the change in economic development strategy and the types of upheaval these brought about. The transition from the older Duvalier to his son was also a transition from one type of economic regime to another. There was an opening to foreign investment and large-scale development of commercial agriculture and manufacturing for export. The United States was the key partner in this new strategy. The development of commercial agriculture, export processing zones, and manufacturing for export outside the zones, had one thing in common: they required securing a labor supply. We observe, indeed, large-scale displacements of small-holders who become laborers on plantations or in the cities. There is some evidence that the intensification of police violence in the countryside may be in part explained by the need to secure wage-labor in the context of a tradition of subsistence farming and the associated resistance to becoming wage-labourers.

An aspect of Mexican immigration that is not sufficiently emphasized is that a number of studies show the large-scale emergence of illegal Mexican flows to be associated with a *legal* program. The development of the “bracero” program created objective linkages between the U.S. and Mexico and promoted the whole notion of migrating to the U.S. Thus an arrangement made by the U.S. with Mexico had unanticipated consequences. Something instructive regarding the possibility of initiating guest worker programs with various countries is that they may emerge as a mechanism promoting emigration to the U.S. outside the bounds of such programs. This is particularly significant if such treaties were to be signed with a country that has not had a history of migration to the U.S. It could set the stage for the occurrence of new migration flows.

In the case of South-East Asian migration to the U.S., we cannot disregard the fact that after World War II and the Korean War, U.S. strategy sought to build up U.S. business in the region and promote



*Outline of the book*

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economic development as a means to “stabilize” the region politically. U.S. business and military interests coalesced to create a vast array of linkages with the Asian countries sending immigrants to the U.S. over the last decade. The massive increase of direct foreign investment during that same period reinforces these patterns.

All the above examples accentuate, first, the fact that U.S. business, military, or diplomatic activities were a strong presence in countries that have significant migration to the U.S. It is important to emphasize that not any kind of U.S. presence will have this effect. Secondly, it is important to emphasize that the *combination* of poverty, unemployment, or underemployment *with* the emergence of objective and ideological linkages probably operates as a migration-inducing factor. It then becomes necessary to make distinctions: what kind of U.S. military, political, and economic policies abroad have the potential, in conjunction with unemployment, or underemployment and poverty, to create a migration-inducing situation? In this context, the image of the U.S. as a country of immigrants with opportunities for all, and the 1965 liberalization of immigration policy, become significant. In combination with objective conditions and linkages, the existence of such an open migration policy becomes truly consequential. Without this context of linkages, it is difficult to see how such a policy could have generated massive immigration to the U.S. Thus the 1965 Act should be seen in combination with military and economic policies facilitating a wide range of U.S. activities abroad. This would explain not only the massive increase in immigration, but also why the countries that sent most of the new migrants are not necessarily the ones that should have done so according to the stipulations of the Act. And it would explain why most countries in the world are far from using their quota of immigrant visas to the U.S.

## OUTLINE OF THE BOOK

Displacing the locus of explanation away from poverty or economic stagnation in sending countries and onto the processes that link sending and receiving country introduces a set of variables into the analysis not usually thought of as pertaining to immigration. Such linkages are constituted through processes that are historically specific. In the current period, the internationalization of production

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is central in the constitution of such linkages, even when there may be purely political objectives associated with aspects of that internationalization. A wide array of countries are incorporated as production sites into a single encompassing system or, more tentatively, a transnational space. The next chapters, particularly 4, 5, and 6, document the concrete forms through which labor migrations intersect with the more general process of the internationalization of production as it takes place in key locations.

Chapter 1 is a brief overview of the main lines of conceptual and empirical analysis in the book. This chapter also describes traits in the current immigration phase to the U.S. which raise questions about conventional explanations and suggest the need to introduce additional variables. Chapter 2 presents the general historical and theoretical background for the analysis. It points to the weight of economic development in the formation of labor migrations. This chapter also contains an overview of the main labor migrations in the post-World War II era; this discussion should serve in placing the new immigration phase to the U.S. in a broader context. Chapter 3 introduces the empirical information for the particular case study, the new migrations to the U.S. beginning in 1965 and continuing today. Chapters 4, 5, and 6 are detailed discussions of major locations of the internationalization of production. Chapter 4 focuses on the main locations in the development of manufacturing for export; these are in South-East Asia (used here to describe East and Southeast Asia) and the Caribbean Basin (used here to describe the nations on and in the Caribbean). Central to the analysis is the rapid and massive mobilization of young women into wage labor, a movement that would not have happened on this scale and at this speed without the large influx of direct foreign investment for the development of export manufacturing. Chapter 5 examines the rapid growth of major cities into global centers for the regulation and servicing of the global production system, international financial markets and other components of the world economy. These cities and their metropolitan areas are also the main destinations of the new migration from the Caribbean Basin and South-East Asia. The analysis seeks to establish whether there is any articulation between the two processes. To that end it examines the economic base, and particularly the job supply, in these cities to see whether the absorption of immigrant workers is associated with the expanding growth sectors linked to internationalization, rather than merely with declining economic sectors