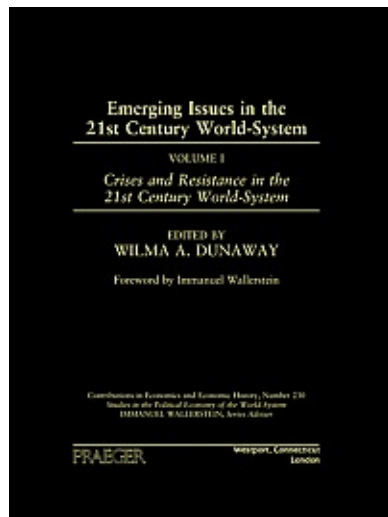


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Page i

Emerging Issues in the 21st Century World-System

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Page iii

Emerging Issues in the 21st Century World-System

VOLUME I

Crises and Resistance in the 21st Century World-System

EDITED BY

WILMA A. DUNAWAY

Foreword by Immanuel Wallerstein

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Interview with Alys Willman (Witness for Peace) by Dale Wimberley, August 16–17, 2000. Used with permission.

Contents

Figures and Tables	vii
Series Foreword by <i>Immanuel Wallerstein</i>	ix
Foreword by <i>Immanuel Wallerstein</i>	xi
Acknowledgments	xiii
I.	
Problems, Crises, and Change in the World-System	1
1. Has Terrorism Changed the World-System Forever? <i>Wilma A. Dunaway</i>	3
2. Trade Dependence, Pollution, and Infant Mortality in Less-Developed Countries <i>Thomas J. Burns, Jeffrey D. Kentor, and Andrew Jorgenson</i>	14
3. Is the 21st Century World-Economy a Passport to Development or to Sexual Exploitation? <i>Chyong-fang Ko and Han-pi Chang</i>	29
4. Knowledge Production as a Factor in World Polarization <i>Maria Lucia Maciel</i>	40
5. The Debt Crisis and Debt-for-Nature Investment at the Periphery: The Costa Rican Case <i>Ana Isla</i>	51
6. The Weakness of the Semiperipheral Nation–State: The Venezuelan Case <i>Trudie Coker</i>	69

	Integration of Central and Eastern Europe into the 21st Century World-	
7.	Economy <i>Emanuela Todeva and Haico Ebbers</i>	81
	Rethinking Racially Depreciated Labor: Puerto Ricans under Global	
8.	Neoliberalism <i>Kelvin Santiago-Valles</i>	103
	The “Third” Arena: Trends and Logistics in the Geoculture of the	
9.	Modern World-System <i>Richard E. Lee</i>	120
	The Informal Economy as a Transnational Category	
10.	<i>Hatice Deniz Yüксеker</i>	128
	Hyperurbanization of China’s Pearl River Delta	
11.	<i>Robert G. Dyck and Wei Huang</i>	141
	“Going Global”: Wannabe World Cities in the Middle East	
12.	<i>Bruce E. Stanley</i>	151
II.		
	Antisystemic Resistance in the 21st Century World-System	171
	Indigenous Resistance to Globalization: What Does the Future Hold?	
13.	<i>Thomas D. Hall and James Fenelon</i>	173
	Resistant Indigenous Identities in the 21st Century World-System:	
14.	Selected African Cases <i>Kinuthia Macharia</i>	189
	The Dynamics of Everyday Incorporation and Antisystemic Resistance:	
15.	Lakota Culture in the 21st Century <i>Kathleen Pickering</i>	201
	Cyberactivism and Alternative Globalization Movements	

16. <i>Lauren Langman, Douglas Morris, and Jackie Zalewski</i>	218
Transnational Advocacy Networking: Labor Rights Movements and	
17. Nicaragua's Maquilas, 2000–2001	
<i>Tom Ricker and Dale W. Wimberley</i>	236
Index	257
About the Contributors	263

Figures and Tables

FIGURES

2.1	Macrolevel Social and Environmental Causes of Infant Mortality	20
11.1	China's Pearl River Delta	143

TABLES

2.1	Correlation Matrix and Descriptive Statistics for Infant Mortality	21
6.1	Venezuelan Labor Remunerations and National Income in 1984 Bolivares Millions	74
6.2	Do Venezuelans Believe Their Economy Is Being Controlled by Foreign Banks and Corporations?	75
6.3	Do Venezuelans Believe That the Intervention of Foreign Banks, Like the International Monetary Fund, Is Good for Their Nation?	78
7.1	Location of Central and Eastern European Countries at the Investment Development Path	88
7.2	Correlation Coefficients, Economic Development, and FDI in Central and Eastern Europe, 1990–1998	91
7.3	Foreign Direct Investments in Central and Eastern Europe, 1990–1998	92

Page viii

7.4 Sectoral Allocation of the FDI Stock and Main Investors in Central and Eastern Europe, 1990–1997	95
7.5 FDI Inflows and Outflows per capita in Central and Eastern Europe	97

Series Foreword

The Political Economy of the World-System (PEWS) Section of the American Sociological Association was created in the 1970s to bring together a small but growing number of social scientists concerned with analyzing the processes of world-systems in general and our modern one in particular.

Although organizationally located within the American Sociological Association, the PEWS Section bases its work on the relative insignificance of the traditional disciplinary boundaries. For that reason it has held an annual spring conference, open to and drawing participation from persons who work under multiple disciplinary labels.

For PEWS members, our work is not only unidisciplinary; the study of the world-system is not simply another “specialty” to be placed beside so many others. Instead, it is a different “perspective” with which to analyze all the traditional issues of the social sciences. Hence, the themes of successive PEWS conferences are quite varied and cover a wide gamut of topics. What they share is the sense that the isolation of political, economic, and sociocultural “variables” is a dubious enterprise, that all analysis must be simultaneously historical and systemic, and that the conceptual bases of work in the historical social sciences must be rethought.

Immanuel Wallerstein

Page x

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Foreword

The conference from which these chapters were drawn was held five months before the attack of September 11, 2001. Once Al-Qaeda attacked the Twin Towers and the Pentagon, it was widely said that nothing would ever be the same again. If this were true, what would be the relevance of material written before these events? We believe, however, that this is to misperceive the meaning and the impact of the events of September 11. They were dramatic and important, but (except in detail) they were not (at least to us) surprising or unexpected. Indeed, the analysis of the likely patterns of the 21st century that we portray in this book anticipated precisely this kind of world disorder. We have been seeking to explain the underlying structural developments of the modern world-system that have led to such a systemic crisis in the first half of the 21st century. The events of September 11 have made this kind of analysis more pertinent than ever.

In 1960, the Belgian Congo received its independence and became a sovereign state. The colonial army had been called the Force Publique, and it retained this name in the period immediately following independence. During the colonial era, the Belgians had appointed no Congolese to any rank higher than sergeant. Thus, at the moment of independence, all the officers were Belgians, many of whom stayed on in the new Congolese army while new officers were being appointed and trained. One of them was the commanding officer, Lieutenant-General E Émile Janssens. There was some unease in the ranks about the absence of rapid promotion. So on July 5, 1960, General Janssens assembled the troops at his headquarters and wrote on the blackboard: "Before Independence = After Independence" (Gérard-Libois and Verhaegen 1960:372).

Perhaps all he meant was that the discipline required of the Force Publique would remain the same despite the change in political regime. If so, he stated

this in an impolitic manner, because his statement was not so interpreted. And it led to the mutiny that marked the beginning of a long period of disorder in the Congo. In terms of the rules of army discipline, Janssens was absolutely right. In terms of the psyche of the participants, he was absolutely wrong.

I feel that I ought to be writing on some blackboard: "Before September 11 = After September 11." It may be equally impolitic to do so. But let us look at reality. Nothing has changed in the geopolitics of the world-system. Nothing has changed in the structure of the world-economy, even if the outbreak of disorder is unsettling to various production processes (but this is always true). However, the psyche of the American people has undoubtedly changed in some significant ways. And this is important. The question is whether or not we might have seen some of the same changes even if Al-Qaeda had not brought down the Twin Towers.

For what has changed in the American psyche? There had previously existed among Americans a certain sense of invulnerability, a certain sense of absolute security at home, and this has simply disappeared. Whatever the outcome of the U.S. military riposte to Al-Qaeda, no degree of success can undo the realization that this kind of highly destructive and prima facie implausible attack was possible, that there were persons who not only wanted to launch such an attack but were able to do so.

We need to know why such an event can occur—if in the long run we are ever to construct a world in which such attacks do not occur, cannot occur. Let me merely say that the chapters in this book are one preliminary attempt to do this. It will require much collective discussion to come up with the solid answers we are all seeking. This is a time for such debate.

Immanuel Wallerstein

REFERENCE

Gérard-Libois, J., and Benoît Verhaegen. 1960. *Congo 1960*. Vol. 1.
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Graduate student Paul Prew flew from the University of Oregon to organize and supervise transportation for the conference. Virginia Tech sociology graduate students Saleh Abdelazim, Janet Arnado, Lisette Garcia, and Stephen Poulson volunteered their time and energies to collate conference materials and to manage registration. Paper sessions were convened by Virginia Tech faculty members Linda Arnold, Daniel Breslau, John Browder, Alnoor Ebrahim, Skip Fuhrman, Colette Harris, and Timothy Luke. Professor Edward Weisband opened and managed the Keynote Address, including his preparation of a marvelous introduction of Immanuel Wallerstein, our guest speaker. Professor Weisband reminded us all that world-system analysts owe a debt of gratitude to Terence K. Hopkins, whose untimely death cut short his contributions to the perspective.

Part I

Problems, Crises, and Change in the World-System

Page 2

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Chapter 1

Has Terrorism Changed the World-System Forever?

Wilma A. Dunaway

The first half of the 21st century will, I believe, be far more difficult, more unsettling, and yet more open, than anything we have known in the 20th century.

Wallerstein 1997b

The September 11, 2001, terrorist assaults on the World Trade Center and the Pentagon threw U.S. citizens into their first “shock of recognition” (Wilson 1955) that the world’s hegemonic power is accountable for the harm it does to other societies.¹ Has the world changed forever? This question is not just about the flamboyant terrorism of September 11; this is the central question of the early 21st century! Those of us who work within the world-system perspective have been asking that question for more than two decades. Moreover, some of us, especially Immanuel Wallerstein (1999b), have been predicting such turmoil and antisystemic resistance for quite some time. We argue that there are two ways to analyze the degree of change within the modern world-system, and recent events make those ideas so timely that they merit reiteration.

THE IMPENDING CRISIS IN THE WORLD-SYSTEM

From a world-system perspective, the first answer is that we have seen “the end of the world as we know it” (Wallerstein 1999b). However, that change has not happened as a result of terrorist acts against the core. Indeed, that terrorism is only a symptom of the ongoing structural and ideological change that has been occurring for several decades.

Wallerstein (1999b, 1999c, 1999e) contends that four structural and ideological contradictions of the existing system are

generating a major structural crisis from which world capitalism cannot be rescued with the kinds of policies that have worked in the past:

- *structural contradictions that are cutting into profit levels, thereby threatening accumulation of capital by the system:* (1) rising costs of labor and (2) ecological entropy;

- *structural contradictions that are pushing the system toward chaos and turmoil:* (3) the declining role of the nation–state, accompanied by (4) increasing levels of anti-systemic resistance (Wallerstein 2000b).

THE COSTLY ECOLOGICAL CRISIS OF THE 21ST CENTURY

One of the threats to the continued existence of the world-system is ecological degradation.² Five core nations generate the vast majority of the fossil fuel emissions and greenhouse gases that cause global warming, and core consumption patterns are generating such rapid worldwide deforestation that a majority of the earth's rainforests will be gone early in the 21st century (Hauchler and Kennedy 1994). Only 47 percent of the world's land is now cultivable, and desertification had encompassed nearly two-fifths of the earth's surface by the end of the 20th century. Oil slicks on the oceans and the rise in sea level triggered by global warming have endangered more than half the world's coastal ecosystems. Yet 60 percent of the world's population lives within 65 miles of coasts, relying on those habitats for food and economic livelihood (United Nations 2000).

In addition to these human costs associated with ecological change, Wallerstein (1999a) argues that capitalist profits are dependent on the externalization of costs (entropy) to the world-ecosystem. Those continued profits now endanger the natural resources upon which the world-economy depends.

One of the ways in which capitalists make money is that they don't pay their bills. One of the things they do is that they create problems and don't pay for them. For example, they engage in activities which pollute. They haven't paid for that. The states permit it in effect, and it saves

capitalists a lot of money. Or they destroy resources without replacing them. They cut down forests, but they don't replant trees because that costs too much money. So that is what I mean by not paying their bills. Economists have fancy language for this; it is called "externalizing costs." Capitalists can engage in such practices so long as there are resources out there that they can exploit, but there comes a point when there are no more trees to cut down or streams to pollute. The capitalist world-system has reached that point. (Dunaway 1999:294)

There is not likely to be an affordable way to reverse this environmental crisis and thereby salvage the current economic system.

What can capitalists do about the fact that resources are getting scarce? Well, they could pay to restore things.... [However], there is no point in undoing all the damage unless

the system can take steps not to repeat its past destructive patterns. The amount of money we are talking about is enormous, so who would pay to undo such ecological damage? We might ask the states to pay for it, and then you would question, who would they tax? Taxpayers are already screaming that we are overtaxed. If we taxed the capitalists who are causing the problems, they would say, "but we won't make profits." It is true, they won't make profits in such a situation. Suppose we say to capitalists, "no more externalizing costs." We could pass laws that might force them to internalize all their costs. Then capitalists will say: "profit squeeze!" True! The profit squeeze is the most insoluble problem of the current system. On the one hand, capitalists are experiencing a profit squeeze from the slow growth of real wages, with the decline of new rural people to pull in as very cheap labor. Then there is the second profit squeeze from the real expenses associated with capitalists being forced to pay for their free ride [based on] the externalization of costs. The world faces the choice of ecological disaster or of forcing the internalization of costs. But forcing the internalization of costs threatens seriously the ability to accumulate capital. (Dunaway 1999:295)

THE FUTURE OF WORLD CITIES

The world's cities are points of concentrated ecological entropy, particularly those that are expanding rapidly in poor countries. By 2015, 70 percent of the world's population will be urbanized, and there will be 22 megacities of 8 million or more people located in poor countries. The movements of people to cities are occurring much faster than less-developed nations are creating jobs or the water, waste, and health-care systems to handle those exploding populations. Half the world's people are already living in conditions without adequate sanitation or safe water, so we can expect those problems to worsen over the next few decades (World Health Organization 2000). In addition to the economic, environmental, and demographic crises of world cities, Wallerstein pinpoints this process of urbanization as one of the structural contradictions of the world-system.

The system is based on a ceaseless accumulation of capital, and that accumulation process is now being seriously threatened. There are a

series of developments which have undermined the basic structures of the capitalist world-economy and therefore have created a crisis situation. The first of these is the *deruralization* of the world. Two hundred years ago, 80 percent or more of the world's population was rural. By now, the rural population is less than 30 percent. Well, so what? The major mechanism by which capitalists have maintained relatively low wages worldwide is that there have always been new rural people to pull into the wage labor force. By world standards, these new workers entered the labor force at incredibly low wages, but it seemed like an economic improvement to those workers for the first few decades. Then the workers cotton on to what is going on, they become politically more conscious, and they begin to demand higher wages. So this system works very well so long as we've got new people to migrate, but the system is running out of new rural areas from which to draw cheap laborers.... To recapitulate, the deruralization of the world has virtually eliminated the traditional compensatory

mechanism of opening up new primary production zones, and, therefore, the worldwide cost of labor will rise to the detriment of capital accumulation. (Dunaway 1999:294)

Despite their problems, cities are the centers of trade, economic innovation, and public services, and poor countries are increasingly polarized internally between urban and rural areas (Hauchler and Kennedy 1994). Because of all these trends, the world's cities will be critical to directions of the 21st century world-system.

DECLINING U.S. HEGEMONY AND THE COMING AGE OF UNCERTAINTY

Unlike Western media, economists, and politicians who are optimistic about growth and expansion of the world-economy, Wallerstein (1999b) has predicted the demise of the capitalist world-system within the first half of the 21st century. The world-system has reached a critical *bifurcation point*, a short period that will be characterized by a sudden shift in the long-term structural trends that have created and sustained the world as we know it. These are changes to be feared. To these may be added “fear itself,” to quote Franklin D. Roosevelt. It is likely that violence, warfare, and terror will increase in the near future both as cause and effect of the bifurcation. Wallerstein (1997b, 1999d) warns that we are about to enter two to three decades of such turmoil, uncertainty, and conflict. The current system is grinding to a halt, he cautions, even if we cannot hear every one of its desperate gasps.

The first half of the 21st century will...be far more difficult, more unsettling, and yet more open, than anything we have known in the 20th century. These next three decades will be very messy politically. When people turn against the state—and people have now turned against the state everywhere—things get pretty dicey. This takes the form of an increased sense of personal insecurity, all over the world. Everybody tells you the last five years have been the worst; I expect they will tell us that for the next 25 years. (Wallerstein 1997b)

For Americans, much of the instability of the first half of the 21st century

will stem from the struggle of the United States to retain its hegemonic position in the world-system, even though it has begun a long decline (Wallerstein 2000b: 435).

A country as wealthy as the U.S. can be in decline for a hundred years and live very well. But, yes, the U.S. is in relative economic decline in the sense that there are now more efficient producers elsewhere. Relative to the U.S., these other countries have been coming up in the world-economy for twenty years. In terms of the gross world product it controlled, the U.S. was at its height in the 1960s. What's been happening since the 1960s is that western Europe and Japan have become more efficient, so they are closing in economically on the U.S.... Economic decline is already evident in the sense that the income of average Americans and of the working poor is, in fact, lower than it was

twenty years ago. Their real purchasing power will go down even further over the next two decades. At the same time, the people in the upper echelons, the richest 10 or 15 percent of the U.S., are doing extremely well. (Dunaway 1999:291) In short, core citizens, especially Americans, “are in a kind of fool’s paradise” in which they do not recognize that they are “in for very strong economic difficulties” between 1990 and 2025 (Wallerstein 2000b: 435).

WORLD POLARIZATION: THE SECOND WORLD-SYSTEM VANTAGE POINT

Has the world been transformed forever because of terrorism against the United States? From our second vantage point, the modern world-system has changed very little. On the one hand, we have seen “the end of the world as we know it” (Wallerstein 1999b), and events like those of September 11, 2001, are only precursors of the uncertainty that lies ahead. On the other hand, polarization and inequality have not diminished in the world. Instead, those conditions have worsened and deepened over the last three decades of global neoliberalism (United Nations 1999). Despite the shock of a well-orchestrated terrorist assault on the United States, the structure, trends, and cyclical rhythms of the world-system still operate (Wallerstein 2000b: 71–103). Those assaults have triggered no structural change in the three-tiered interstate system that is controlled by the core (Wallerstein 1993:47–74). Multinational corporations based in the six richest core nations still monopolize two-thirds of the dollar value of all international trade (Third World Institute 1992, 1999). The neoliberal globalization agenda (while under stress) is still thriving and cementing core control over the economic and natural resources of the semiperiphery and the periphery (Bello 2001). Debt and structural adjustment continue to cripple peripheral nations (Anderson 2000), and the future of eastern European postcommunist nations is still highly uncertain (Hauchler and Kennedy 1994). Except for an added dimension of political pressure and military repression from the core, September 11, 2001, has not altered the daily struggles of a majority of the people on the planet. While capitalists regroup to try to widen profit margins and to overcome the internal structural contradictions of the

world-system, living conditions in the world are growing increasingly polarized. Two-thirds of total world wealth is controlled by only 18 nations that contain only 12 percent of the world's people. Consequently, the vast majority of the world's households struggle to survive on annual incomes that fall far below \$1,000 yearly (Hauchler and Kennedy 1994). As wealth is increasingly concentrated into fewer and fewer hands around the world, 100 countries have lost economic ground since 1985 (United Nations 1999). Most of the people of the world live in poverty, without safe water and without adequate levels of sanitation, education, and health care. World-system analysts see little hope that conditions will improve for poor countries in the 21st century.

Conditions will actually get worse every year. The polarization of the world is on the steady increase. We do not feel the world's misery in the United States. We don't observe it because things are getting better all the time for the top 15 or 20 percent of the world. That top global echelon includes maybe half the people in the United States. So many Americans keep saying, "gee, we're doing well," while most of the people of the world are doing worse. The rich West keeps promising the poor countries that international trade is the solution to their problems. The "free market" can no more transform the economic prospects of the poorer 75 percent of the world's populations than taking vitamins can cure leukemia. The promise of economic growth and improvement is a fake, and the damage is already done to the Third World. (Dunaway 1999:293)

Recent terrorism against the United States has not altered the polarization of the world-system in terms of political or military power, economic inequalities, or the wide chasm between core and periphery with respect to quality of life. The United States still spends half the world's military budget and owns the vast majority of the world's weapons of mass destruction—and terrorism is likely to exacerbate that militarism. In addition, the United States and the European Union export most of the arms that are available to poor nations (Hauchler and Kennedy 1994), and in the 1990s, the world spent \$1.57 on arms to every dollar expended for grain. Political hardships have not diminished for most of the people of the world. On the contrary, political repression and lack of effective democratic governments are still characteristic of a majority of the world's countries. Indeed, it is likely that political repression will deepen as the core seeks to control terrorism by directing military and policing actions toward poor countries. Nor has the incidence of interethnic conflict changed. On average, there are 35 such conflicts occurring ever year, resulting in the death and displacement of nearly 30 million people annually (Hauchler and Kennedy 1994). No matter its success in making U.S. office buildings or aircraft safer, the core war against terrorism will only exacerbate those horrendous global problems.

While the United States loudly organized its "new world war" against terrorism, most of the people of the world silently continued to battle the

same problems and crises they have always faced in the modern world-system. Fears about future terrorism and security may inconvenience the lives of Americans and other core citizens, but these awful events have not improved the everyday lives of a majority of the people who live on the planet. One-half of all Third World children still die before the age of ten (UNICEF 2000), and most of them die from waterborne illnesses that are easily preventable (World Health Organization 2000). More than one-quarter of the world's people lack access to safe drinking water; one-third cannot locate the fuelwood they need to run households; and nearly one-half are either malnourished or chronically hungry (UNICEF 2000; United Nations 2000). The AIDS (acquired immunodeficiency syndrome) epidemic is spiraling out of control in Africa and Asia (World Health Organization 2000), but more than 80 percent of the world's treatment dollars for this disease are still expended in the core (Hauchler and Kennedy 1994). While half the

world's population still lacks regular access to the most basic drugs (World Health Organization 2000), the core plunges ahead with experimental research into genetic engineering and heroic health technologies. In comparison to the 20 million people who die every year from malnutrition, the loss of less than 3,100 (Associated Press, February 8, 2002) to an act of terrorism seems like a tiny raindrop falling into a giant barrel of accumulated water (United Nations 2000; World Health Organization 2000).

The world's typical woman will have no time or energy to worry about terrorism in the core. The face of world poverty is increasingly feminized, and the central crises of life for those women are directed to the acquisition of safe water, fuelwood, nutrition, and health care—the basic survival needs for their households. Since only about one-third of Third World children are guaranteed even a few years of elementary education, most of the world's mothers still prioritize relief from the high illiteracy rates among females and the necessity for children to be employed in dangerous wage-earning jobs. Every year, 585 times more women and girls are indentured into the global sex industry than died in the September 2001 terrorist attack on the United States (UNICEF 2000). Moreover, terrorism against the core is not the number-one violent crime in the world. Death and maiming from such acts are minuscule in comparison to the devastation caused by the high incidence worldwide of domestic violence and rape (World Health Organization 2000).

IDEOLOGICAL AND CULTURAL CONFLICTS BETWEEN CORE AND PERIPHERY

Some commentators have been quick to cry that terrorism has resulted from the “demonization of America.” However, there is a flip side to that ideological coin, for such rhetoric powerfully demonstrates that American hegemonic posturing and ethnocentrism have not diminished. On the one hand, “America's New War” is “not merely a matter of protecting U.S. citizens and residents from attack, but of re-establishing worldwide belief that the U.S. is an invincible superpower” (Wallerstein 2001b). On the other hand, Americans who were outraged and grieved by fewer than 3,100 deaths on their own soil had watched with little remorse and no

intervention in 1994 as nearly 1 million Rwandans died in the worst 20th century genocide since Hitler orchestrated the Holocaust (Public Broadcasting System 1998). Within one month, Americans contributed an average of \$200,000 per person who died in the World Trade Center, but they annually ignore the plight of more than 20 million refugees who struggle to survive every year in horrendous conditions in relief camps funded at less than \$12 dollars (UNHCR 2000).³ Furthermore, Americans do not react with horror or with humanitarian outpouring after core-generated global warming exacerbates the number and the ferocity of droughts, floods, earthquakes, typhoons, and hurricanes in peripheral nations—even though each of those natural disasters typically kills 10 to 100 times the number of people who died in the

September 11 assaults on U.S. buildings and aircraft (World Health Organization 2000).

There is yet another aspect to this core ethnocentrism. Cultural differences are significant “ideological battlegrounds” in the world-system (Wallerstein 2000b: 264–289). While Americans can recognize when they are “demonized” (Huntington 1996), they are much less willing to acknowledge that *westoxification* of non-Western societies is the cultural pillar of American hegemony that is under assault (Barber and Schulz 1995; Rashid 1998). In a 1999 interview, Wallerstein prophetically warned of the dangers of a U.S. foreign policy that “demonizes Islam” as the new Cold War for the 21st century.

It is important to examine why the U.S. feels threatened by Islamic Fundamentalism and not by other forms of this theological shift.... From the Western governments’ point of view, Third World movements, like Islamism, are easy things to demonize. So we engage in this big game of demonizing these movements without analyzing their strengths or the motives of their followers. Why does the U.S. need demons? Precisely because we have lost the other demon, the communist demon.... Through its foreign policy, the U.S. demonizes such liberation movements because there is very little we can do about them, like our series of conflicts with Iraq. I certainly do not think that the major problem of the 21st century is Islamic Fundamentalism. In the end, U.S. rhetoric about Islam doesn’t really change attitudes in other parts of the world, which is the ostensible motivation of its propaganda. However, such demonization has a function for internal U.S. politics. It prevents U.S. citizens from understanding what is really going on. Moreover, such propaganda diverts attention from real political and economic inequities in the world. (Dunaway 1999:288–289)

POLARIZATION AND ANTISYSTEMIC RESISTANCE

Economic, health, cultural, and ideological polarization will exacerbate the structural crises of the world-system. For a majority of the world’s people, the sharp contrast between their misery and the luxurious core lifestyle are constant reminders that there is not likely to be a more

egalitarian world within the constraints of the present system (Wallerstein 1997b). Consequently, “the excluded South will become politically far more restive than at present, and the level of global disorder will increase markedly”(Wallerstein 1997a). Moreover, “we are seeing today a decline in the strength of state structures everywhere in the world, which means rising insecurity” (Dunaway 1999:297). According to Wallerstein, there are four major dilemmas

that have been growing for hundreds of years and have now reached the crisis point. There are three irreversible structural crises that are putting real pressures on global profits—thereby threatening the accumulation of capital that propels the existing system. On top of that, disillusionment with 20th century movements has caused the elimination of a safety valve that once protected the system. The failures of communism, socialism,

and national liberation movements means the removal of the major political mechanism that kept the lid on the pot of world grievances. (Dunaway 1999:296–297)

In short, the core can expect to witness an increasing number of events like the September 11 terrorist assaults in the United States.

Ironically, that very *democratization* that is ideologically favored by the core spawns social movements that seek to protect their societies against cultural genocide. Since the world-system has reached a bifurcation point, that growing antisystemic resistance takes on new significance. Indeed, Wallerstein (1999b, 1999e) has argued that it is precisely in periods of transition from one historical system to another that human struggle can have the greatest impact. “We are in a systemic bifurcation, which means that very small actions by groups here and there may shift the institutional forms in radically different directions” (Dunaway 1999:304).

When a system functions “normally,” as the capitalist world-system functioned for several hundred years, people could push and pull, but those actions would only have limited effect. That has been one of the problems with the current system. People have pushed and pulled pretty hard for the last 200 years. Since their struggle has only had limited effect, most of the people of the world are very disillusioned. When a system is in crisis, however, it fluctuates incredibly, and it becomes very unstable. So a little push here and a little push there really has tremendous effect.... When a system is in normal operation, we can say that the system heavily determines our lives. But when it is in crisis, there is much more space for operation of the free will. It is only in such times of transition that what we call free will outweighs the pressures of the existing system to return to equilibria. (Dunaway 1999:298)

Consequently, antisystemic events like the September 11 terrorist act can have a lasting structural impact on the system now that such a singular incident would not have had at an earlier historical stage.

CONCLUSION

As we look forward to the first half of the 21st century, there are more crucial questions to explore than detailed analysis of any singular event.

Will the U.S. position in the world-system be stronger than today? Will today's geopolitical line-ups survive as a serious mode of organizing global politics? Might the "antiglobalization" movement perhaps have been metamorphosed into something more coherent and far more military than today?... Above all, may not chaotic conditions become something much more the universal norm, and insecurity the daily portion of still more of us? And might the world economy not begin to oscillate wildly? And if it does, where will we be 50 years from now? Nothing could be less certain. But looking back 50 years ahead, it is doubtful that Sept. 11 in itself will seem all that important. (Wallerstein 2001a)

Bottom line, there are more significant structural crises than terrorism, no matter how significant it may seem now to the core. Those structural crises and the antisystemic resistance they foment will shape the future of the world-system to a much greater extent than any single terrorist act or even a series of such acts.

NOTES

I would like to thank Donald Clelland for his critical comments and suggestions. I am alluding here to Edmund Wilson's (1955) notion that a

1. great writer stimulates a powerful "shock of recognition" in the reader and is able to elevate suddenly her or his consciousness about a reality that did not previously enter her or his awareness.
2. The 21st annual Political Economy of the World-System Conference focused on ecological degradation. See Goldfrank, Goodman, and Szasz (1999).

3. On October 11, 2001, CNN reported that the specially organized national foundation had stopped accepting contributions because it had received an average of \$100,000 per death, based on the early estimate of 6,000 persons. With the final death toll at less than 3,100, that average doubles.

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Chapter 2

Trade Dependence, Pollution, and Infant Mortality in Less-Developed Countries

Thomas J. Burns, Jeffrey D. Kentor, and Andrew Jorgenson

In some countries, more than one child in ten dies within its first year of life (e.g., Kanji and Haipham 1992; World Resources Institute 1998:258–259). A number of studies have examined various macrolevel causes associated with infant mortality. Researchers have identified factors that include global processes such as foreign investment in Third World countries, as well as domestic ones such as education and commitment to public welfare (e.g., Kick *et al.* 1995). Yet despite decades of research into its causes, infant mortality continues to be a serious worldwide problem.

In this chapter, we examine macrolevel causes of infant mortality, giving attention to a relatively neglected aspect of the overall process—the proximal effect of environmental degradation on infant survival, and the social processes, both global and domestic, that lead to it. More particularly, we examine a key world-system dynamic—that of trade dependence as reflected in export commodity concentration—as it influences those domestic outcomes.

LINKING THE WORLD ECONOMY TO DOMESTIC PROCESSES

The idea that macrolevel processes of the world-economy may have an impact on national-level outcomes is an outgrowth of dependency theory (e.g., Amin 1974; Frank 1979), which arose as a reaction to the post–World War II development of modernization theory (e.g., Hoselitz 1960; Rostow 1960; Parsons 1966). A basic tenet of modernization theory held that national development was an invariant process through which all countries progressed. Second, this process could be accelerated by the intervention of wealthy countries, which would infuse the requisite investment capital, technology, and ideology for de-

velopment to occur. Dependency theorists took issue with both points. First, they pointed out that the global environment in which countries were currently attempting to develop was significantly more competitive than that experienced by countries having developed in earlier periods. Second, they argued that the intervention of wealthy countries did not accelerate development in poor countries. Instead, this intervention generated an unequal core-periphery relationship that actually *retarded* economic growth—sometimes referred to as “the development of underdevelopment” (Frank 1979), because developed countries were able to use their dominant position to extract capital from these dependent countries.

This idea of unequal global linkages was expanded upon by Immanuel Wallerstein (1974, 1979, 1984) in his articulation of a “world-systems” perspective. Wallerstein argued that the current capitalist world-economy, which originated in the 16th century, reflected a tripartite global division of labor that generated and maintained a relative structural inequality across core, semiperipheral, and peripheral “zones” of the world-economy.

Researchers have empirically examined the impacts of these unequal global relationships on various national-level outcomes, such as economic growth (Chase-Dunn 1975; Bornschier, Chase-Dunn, and Rubinson 1978; Bornschier and Chase-Dunn 1985, Firebaugh 1992, 1996; Dixon and Boswell 1996; Kentor 1998; Soysa and Oneal 1999), urbanization (Kentor 1981; Timberlake and Kentor 1983; Walters 1985), fertility rates (Hout 1980; Ward 1984), inequality (Korzeniewicz and Moran 1997; Alderson and Nielsen 1999; Beer 1999; Firebaugh 1996), political instability (Boswell and Dixon 1990), and environmental impact (Burns *et al.* 1994; Burns, Davis, and Kick 1995; Kick *et al.* 1996; Burns, Davis, and Kick 1997).

Various dimensions of global dependence have been identified. Much of the empirical research has focused on stocks of foreign capital (Chase-Dunn 1975; Bornschier, Chase-Dunn, and Rubinson 1978; Bornschier and Chase-Dunn 1985; Firebaugh 1992, 1996; Dixon and Boswell 1996; Kentor 1998; Alderson and Nielsen 1999; Soysa and Oneal 1999). Other

aspects of dependence have also been examined, such as portfolio investments (Manning 1998) and debt dependence (Suter 1992).

In this research, trade dependence also has received significant attention. Hirshman (1980) describes three forms of trade dependence: trade composition, partner concentration, and commodity concentration. Trade composition is the level of processing of its imports and exports. Partner concentration refers to the number of partners a country trades with, while commodity concentration reflects the diversity of a country's exports or imports.

There are two ways of interpreting these three measures of trade specialization. Comparative advantage theory (Magee 1980) would suggest that this specialization is the result of countries "doing what they do best" vis-à-vis their global competitors. Dependency and world-systems perspectives would argue, however, that this specialization is a function of the global division of labor

(Wallerstein 1974). More dependent countries take on these specific trade characteristics because of their position in the world-economy (Dixon 1985).

In their review of empirical cross-national studies, Rubinson and Holtzman (1981) conclude that export commodity concentration has significant negative effects on economic development in less-developed countries. In a related vein, there is evidence that export commodity concentration, particularly in the agricultural sector, leads to ecological degradation (Smith 1994). In this chapter, we focus on how export commodity concentration affects the survival chances of infants in a country, both directly and indirectly through its deleterious environmental impact.

CAUSES OF INFANT MORTALITY

In attempting to identify macrolevel causes of infant mortality, some researchers have pointed to the impact of a country's level of internal development (Shin 1975) or to its dependent position in the world-economy (Jackman 1975; Nolan and White 1983; Cutright and Adams 1984; Dixon 1984; Wimberley 1990; Fain *et al.* 1996–1997) and its more proximal effects on national institutions (Kick, *et al.* 1995).

A number of researchers have found that dependence on foreign capital adversely affects the survival of children in developing countries (Wimberley 1990; Kick *et al.* 1995; Shen and Williamson 1997). The dependency associated with a country's position in the global economy often leads to a situation in which precious resources are taken out of the country, thereby making the country less able to meet basic human needs, such as adequate health care (Bornschiefer and Chase-Dunn, 1985; Frank 1980; London and Williams 1988; Boswell and Dixon 1990; Wimberley and Bello 1992).

Yet a number of questions about the linkages between the level of a country's development and its human welfare outcomes, particularly in terms of infant mortality, have not been fully resolved (Hicks and Streeten 1979; Kick *et al.* 1995). There is evidence that, at least under some

conditions, foreign investment in developing countries may have a beneficial effect on infant survivability in those countries (e.g., Bullock and Firebaugh 1990; Firebaugh and Beck 1994; Meyer 1996). Firebaugh (1992) argues that the key to domestic development is to have at least a modicum of capital in circulation, and even if the source of that capital is foreign, there are positive domestic effects, particularly in terms of well-being measures, such as health and chances of survival.

Yet even in countries that have been able to benefit from foreign investment, economic growth has tended to concentrate in urban areas (Kentor 1981; Timberlake and Kentor 1983; London and Smith 1988), with the result being economic stagnation and lack of infrastructural development in rural agricultural areas (Curry 1985). This mismatch has, in some areas, led to the widespread use of pesticides in nonurbanized agricultural regions, and siting toxic waste dumps in locations close to aquifers—practices that in turn have affected

groundwater and other critical sources of human livelihood (e.g., Coye 1986; Hunter and Arbona 1995).

Not surprisingly, there is a relationship between the quality of a country's water supply and its levels of infant survivability (Seipel 1994). Export dependence has a negative impact on the quality of the domestic environment of Third World countries, including the quality of the drinking water in those countries (Robinson 1985; Bello 1992).

Thus, the linkage between global dependence and infant mortality appears to be mediated by a number of factors. Most proximally, the quality of the water and health care appear to be crucial, and those are linked to other internal factors, themselves a function of global processes. The level of internal development, such as GNP (gross national product) per capita, has been one crucial mediating factor (e.g., Hertz, Hebert, and Landon 1994). Cereseto and Waitzkin (1988) find that virtually all physical quality of life (PQL) measures, including infant survivability, improve with a country's level of economic development.

While agricultural economies tend to have relatively high infant and child mortality rates, there is a great degree of variability among them. Victora and Vaughan (1985) find that agricultural areas with small family farms tended to have significantly lower child mortality rates than areas with large ranches and high proportions of wage laborers. This was the case even though many of the family farm areas were extremely poor by economic standards.

A country's domestic development is at least partly a function of its position in the world-system (Arrighi and Drangel 1986; Kentor 2000). A crucial component of this development is in terms of how its economy, particularly the agricultural component of it, is organized. The more peripheral to the world economy, the more likely a country is to rely on an agrarian economy. Yet foreign investment in a Third World country makes the country more likely to organize its economy around external trade. That in turn tends to lead to increasingly large-scale productive modes.

In terms of agriculture-based economies, this involves a trend toward monocrop production, particularly those in tropical regions (Fain *et al.* 1996–1997). A common scenario in many agrarian economies is for foreign investors to transform small family farms and farm-related businesses into large, corporate structures (Baklanoff and Brannon 1984). This facilitates economy-of-scale concerns of owners of large holdings and also aids in the logistics of large-scale exports. Yet from the standpoint of human ecology, such arrangements are detrimental to the quality of life and, in some cases, to the survival chances of some people.

Along with mining and timber, agricultural products are the primary exports from Third World countries that do have export economies (Posey 1990; also see Kick *et al.* 1996). As each of these sectors grows in size, there are concomitant misuses of land (Lai 1987) and increases in the concentrations of pollutants associated with them.

Public health factors play a crucial role as well (Knowles 1980; Ross *et al.*

1988), and devoting inadequate resources for public health programs often has catastrophic consequences. Manifestations of that lack of resources are witnessed in such phenomena as the scarcity of inoculation to childhood diseases and the lack of availability of trained, competent medical personnel for pre- and postnatal care, as well as for assistance with the birth process itself. In a case study of Angola, for example, Kanji and Haipham (1992) find these processes associated with an infant mortality rate of above 10 percent.

When taken together, these studies point to a congeries of macrolevel causes of infant mortality. Global processes such as foreign investment are associated with more proximal domestic causes, such as retarding national economic growth and the stunted development of domestic institutions associated with it. Domestic manifestations of these international dynamics include a country centering its export economy around a few sectors. Since many Third World countries still have agrarian modes of production, these international dynamics often lead to large-scale agricultural production, which manifests itself in monocrop planting and related practices that result in waste-product concentrations and the environmental degradation attendant to them. This, in turn, has a detrimental effect on the survival chances of persons in the society, particularly the most vulnerable, including infants and children.

HUMAN ECOLOGY AND ORGANIC WATER POLLUTION

It bears noting here that over a billion people in the world, the vast preponderance of whom live in less-developed countries, lack access to clean drinking water (World Resources Institute 1998). Access to safe water has been shown to be a strong predictor of infant and child survival in previous research (e.g., Ross *et al.* 1988; Kick *et al.* 1990). Many parasitic and infectious diseases are carried in the organic water pollution that are the by-products of animal waste.

Yet an aspect of pollution that is perhaps less known, but no less perverse, is the problem of pollution caused by pesticides usage. Many of the organic pollutants used in industry and intensive agriculture tend to accumulate in human and animal fatty tissue. In the human body, they

accumulate and have been associated with birth defects, spontaneous abortion, and various types of cancer (e.g., McGinn 2000), particularly breast cancer in women (Cadbury 2000). Because they are sometimes very slow in breaking down, and because they tend to accumulate particularly in the fatty tissue of mammals as they move up the food chain, they are sometimes referred to as “persistent organic pollutants” (or “POPs” for short). The process itself is called “biomagnification” (Steingraber 1997:168 ff.).

Residues of fat-soluble organic pollutants, such as organochlorine from pesticides, which themselves are more likely to be used in massive quantities with monocrop agricultural practices, tend to put women and infants at particular risk, because the biomagnification of organic pollutants occurs in fatty tissue, such as women’s breasts (Kohlmeier and Kohlmeier 1995). Many of these

toxins are passed in concentrated form from mother to child, both in utero (Autrup 1993) and, after birth, through breast milk (Rogan *et al.* 1986a, 1986b; Samogyi and Beck 1993). Further exacerbating the problem is the fact that the bodies of infants are less able than adults to break down and expel many of these toxic agents (Wargo 1996; Steingraber 1997:164). This leaves them vulnerable to developmental deficits, a weakened condition that puts them at relatively greater risk of infectious and other diseases and, in some cases, death.

There is a dearth of epidemiological studies that definitively link these perverse outcomes with more macrolevel industrial and agricultural practices in less-developed countries. In an exception, in a study focusing on Mexico (where DDT is still in use), Lopez-Carillo (1996) finds that dangerously high levels of DDT were in the fat tissue of people residing in areas in which there was intense agriculture. With the large-scale plantation-style agriculture geared for “economies of scale,” there tends to be widespread use of pesticides, and other organic pollutants, such as animal waste, which accumulate in quantities that far outstrip the ability of the local ecosystem to recycle them naturally.

While pollution is a worldwide problem, it is particularly worrisome in less-developed countries for a number of reasons, not the least of which is that many of those countries tend not to have even minimal standards of environmental protection. When coupled with large-scale industrial and agricultural production, in which concerns of efficiency in the global economy trump those of the health and ecology of the local people and environment, the outcome is potentially catastrophic.

SUMMARIZING THE MAJOR THEORETICAL ARGUMENTS

Previous literature identifies several macrolevel causes of infant mortality. The most salient ones, which appear to be robust predictors across a number of studies, include: world-system dynamics, level of development (as measured by, for example, level of GNP per capita), national commitment to public health (as measured by, for example, health expenditures per capita), and human capital (as measured by education or literacy rates). We do not debate the importance of any of these

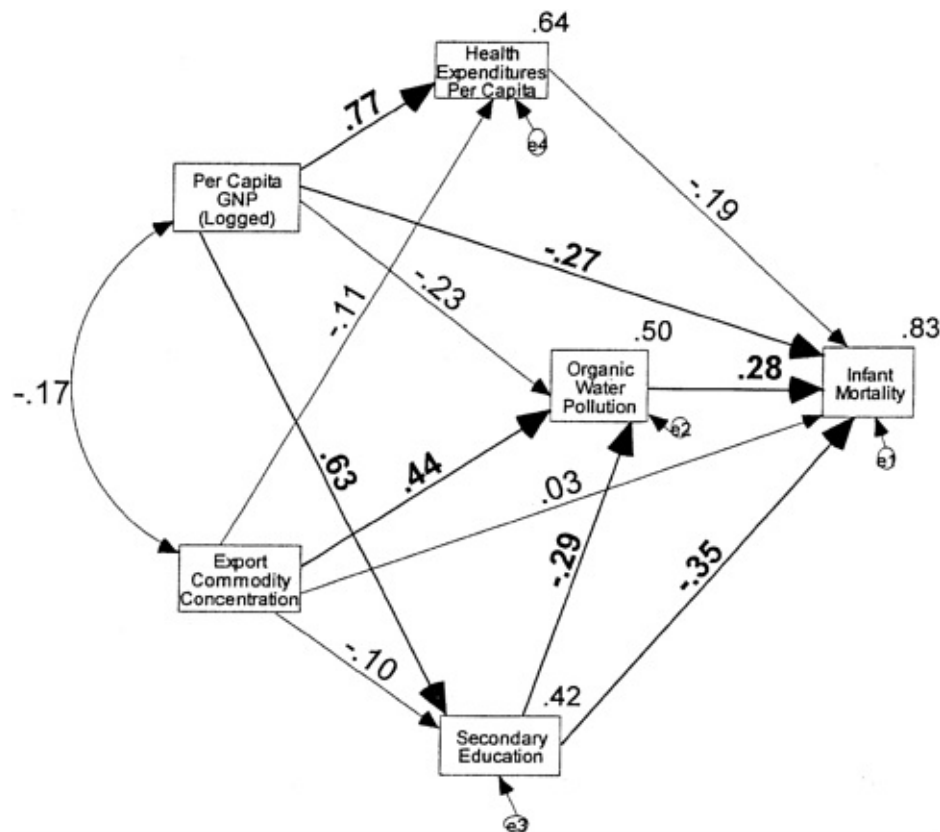
causes. Rather, we suggest that environmental degradation is a relatively underappreciated aspect of the overall strain on people, particularly in less-developed countries. This strain is manifested in numerous ways, not the least of which are infant mortality rates that are a full order of magnitude higher in some less-developed countries than in developed ones.

These causes are themselves interrelated. While previous researchers have examined a number of such causes, we are particularly interested in how these processes affect one another and, in turn, how those effects are manifested in infant mortality. In this chapter, we focus on specifying and testing those relationships.

For present purposes, we test a recursive, indirect effects model that examines the exogenous influences of export commodity concentration and per capita

Figure 2.1

Macrolevel Social and Environmental Causes of Infant Mortality



Notes: Bolded paths are statistically significant ($p < .05$).

Fit measures: Chi-square = 2.157 with 2 d.f. ($p = .34$).

Normed Fit Index (Delta 1) = .998; Relative Fit Index (Rho 1) = .983.

GNP on infant mortality, both directly and indirectly, via the mediating social variables of health expenditures and secondary education. Consistent with our preceding theorization, we examine the direct effect of organic water pollution on infant mortality, but we also model organic water pollution as a partial mediator between the more macrolevel effects of export commodity concentration while controlling for the effects of secondary education and per capita GNP. The full specification of our

model is shown in Figure 2.1. Previous work has established world-system processes as reliably predictive of infant mortality. In this chapter, we move to the next step by asking what, specifically, about world-system processes should have such a disastrous influence on infant survival in developing countries. We focus particularly on the mediating effect of organic water pollution.

Table 2.1**Correlation Matrix and Descriptive Statistics for Infant Mortality**

	1	2	3	4	5	
Infant Mortality Rate	1					
Organic Water Pollution	2	.41				
Secondary Education Enrollment	3	-.79	-.20			
Health Expenditures per Capita	4	-.60	.17	.45		
Export Commodity Concentration	5	.33	.44	-.25	-.06	
Gross National Product per Capita	6	-.80	-.24	.66	.73	-.20
	N	Min	Max	Mean	S.D.	
Infant Mortality Rate	121	51.77	170.00	4.00	38.64	
Organic Water Pollution	52	0.09	0.35	0.20	0.06	
Secondary Education Enrollment	124	4.90	102.00	49.34	29.61	
Health Expenditures per Capita	53	18.25	812.05	239.95	195.86	
Export Commodity Concentration	79	0.01	0.95	0.38	0.22	
Gross National Product per Capita	136	4.63	10.26	7.07	1.27	

METHODOLOGY

For this study, we focus our analysis on less-developed countries. We thus examine only countries that are not part of the Organization for Economic Cooperation and Development (OECD). We refer to these as “non-OECD” countries. For our variables of interest, we found at least partial data for 182 countries. The precise numbers of valid cases for each variable are given in Table 2.1.

Our outcome variable in this study is infant mortality rate per 1,000 live births in the year 1997. This variable is taken from World Bank (1999) data. As predictors of infant mortality, we examine the macrolevel effect of export commodity concentration, along with national-level variables of gross national product per capita, health expenditures per capita, secondary education, and organic water pollution. We operationalize export commodity concentration as the proportion of the value of the largest single commodity export to total exports in the year 1990 (Kentor 2000). In order to control for overall level of national development, we use a measure of the per capita GNP of a country; consistent with the practice in much of the cross-national research, we log this measure to correct for its skewed distribution.

To control for education levels, we use a variable measuring the percentage of secondary school-age children who are enrolled in secondary school in 1990. To control for the availability and quality of health care in a country, we use a variable for health expenditures (in terms of international primary purchasing

power) per capita in 1990. As a measure of pollution, we use organic water pollutants per hectare per worker in 1995.

Our export commodity concentration variable is based on data from the United Nations' *International Trade Statistics Yearbook* (United Nations 1990). All other data for the predictor variables are taken from the World Bank (1999). We use the SPSS (version 10) software to find descriptives for, and zero-order correlations among, the variables in our model. The descriptives are presented in Table 2.1.

The central theme of our chapter is that world-system factors impact health and well-being outcomes but tend to do so indirectly. Based on the logic developed earlier, we expect to find this impact, even when adding control variables that prior researchers have found to be robust predictors of infant mortality. To estimate the direct and indirect effects of world-system and domestic factors on infant mortality rates, we employ a structural equation modeling approach (e.g., Joreskog 1970), using the AMOS (Arbuckle and Wothke 1999) software. This methodology employs a maximum likelihood estimation (MLE) of parameters. This is particularly useful in dealing with missing data, an endemic problem in cross-national, quantitative research. A maximum likelihood estimation of missing data is preferable to the other, more common methods of addressing the missing value problem (most notably, pairwise or listwise deletion), because MLE provides more consistent and less-biased results than either of those methods (Arbuckle 1996).

RESULTS AND DISCUSSION

We test the overall theoretical framework in our path model, as presented in Figure 2.1. While the direct path from export commodity to concentration to infant mortality is only .03 (n.s.), the important point is that the outcomes of world-system processes are more complex and are not necessarily captured in simple direct effects models. We see a strong significant influence of export commodity concentration on organic water pollution, which in turn has a significant effect on infant mortality.

Previous studies have found strong effects of quality of health care in a

country (as indicated, for example, by health expenditures per capita) and human capital formation (as indicated by levels of education) in reducing infant mortality. In referring to Figure 2.1, we find the expected effect of higher levels of secondary education leading to significantly lower levels of infant mortality. While there is a strong zero-order correlation between health expenditures per capita and infant mortality (.60), in the fully controlled model reported in Figure 2.1, the effect of health expenditures per capita drops to .19 (n.s.).

Returning to the effect of export commodity concentration on infant mortality, mediated by organic water pollution, it bears noting that we find this effect even when controlling for other variables that have been well established in the literature, including education, GNP, and health expenditures per capita. That this

effect is robust, even in the fully controlled model, indicates the potential importance of pollution in public health discussions.

While the effect of health expenditures on infant mortality is no longer statistically significant in the controlled model, we do not see this as diminishing the importance of public health expenditures. Rather, it is crucial to note that such expenditures are most effective in shaping outcomes when they are coupled with healthy living conditions. Dramatic increases in health expenditures, while desirable, will not work in a vacuum.

In this chapter, we have focused on one phenomenon linking world-system processes with infant mortality and several of the pathways associated with it. More particularly, we have examined a set of indirect pathways linking world-system processes and domestic outcomes. We find that a critical mediating variable is organic water pollution, which in turn is attributable in part to concentrated modes of production geared to export in an increasingly globalized world economy. We hope that future researchers will continue to examine aspects of the complex web of relationships between social, environmental, and human health factors. Particularly salient are the linkages between macrolevel social arrangements such as world-system processes and domestic outcomes such as environmental degradation and its consequences.

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Page 28

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Chapter 3

Is the 21st Century World-Economy a Passport to Development or to Sexual Exploitation?

Chyong-fang Ko and Han-pi Chang

INTRODUCTION

Relative to the development of the countries involved, whether international tourism is a part of the problem or a part of the solution is the focus of vigorous debate. Tourism is deeply rooted in Western culture, but it was not until the 1960s (when the United Nations promoted international tourism as a mechanism for promoting international understanding and peace) that international travel became commonplace. Advancements in air transport and telecommunications fostered the growth of mass tourism. On the demand side, travel to Third World countries is cheap and exotic; on the supply side, hosting rich foreign tourists is a quick, high-profit, low-investment means of attracting foreign currency.

International tourism may have succeeded in increasing world understanding, and it did enrich many countries in the 1960s and 1970s. However, most of the income currently generated by international tourism is immediately sent back to developed countries. Tourists often purchase package deals that include flights on their own national carriers, rooms at international chain hotels, water exported from their home countries, and travel insurance issued by the same company from which they buy other insurance products. In return, host countries enjoy expanded job opportunities in domestic and hotel administrative services and tourism-related construction projects. But such expansion is out of most host governments' control, and when the international economy falters and the number of international tourists declines, foreign investment and joint ventures disappear and unemployment rises.

In addition to the uncertainty of material profit from the tourist trade, developing countries also face an unwanted offshoot of international

travel: sex tourism. In the early 1990s, the influx of up to U.S.\$4 billion annually from the sex

industry helped Thailand to achieve its economic Miracle (Bishop and Robinson 1998: vi); between 300,000 and 2.8 million people now work in that country's sex trade (Lim 1998). By the late 1990s, up to 2 million people annually were expected to visit Havana. The increase in the amount of prostitution that has accompanied the tourist boom has given the city its current reputation as the sex capital of the Caribbean (Phillips 1998).

In this chapter, we will argue that sex tourism and the exploitation of minor children will not disappear from developing countries as long as international economic inequality exists. In the first section, we will describe the connection between global inequality and international tourism. In the second section, we will discuss the development of sex tourism in these countries. In the final section, we will analyze the economic gains that are perceived as resulting from the sexual exploitation of women and children.

GLOBAL INEQUALITY AND INTERNATIONAL TOURISM

Ever since the end of World War II, tourism has been a highly profitable trade sector in many underdeveloped and developing countries. According to a report from de Kadt (1979), more than 200 million international visitors spent U.S.\$45 billion outside of their home countries in 1975; by 1998 the number had grown to 625 million international visitors spending U.S.\$445 billion (United Nations 1999). Between 1988 and 1997, average yearly growth in international tourist arrivals around the globe was 5.4 percent; at this rate, the number of global tourists will reach 937 million by 2010 (Sindiga 1999). During the same ten-year period, average yearly growth in receipts from international tourism was 9.8 percent, surpassing the average growth rates for product exports (5.5 percent) and commercial services (7.5 percent) (Dieke 1998:32).

When measured in terms of capital investment (e.g., infrastructure, facilities, and equipment), tourism has become a major international industry accounting for more than 10 percent of the global GDP (gross domestic product) through the mid-1990s and creating a significant number of jobs. One of the most obvious benefits of tourism for

underdeveloped countries is foreign exchange, which finances the importing of capital goods and stimulates economic activity. As a primary generator of regional development, tourism creates employment in such areas as telecommunications, domestic services, construction, agriculture, handicrafts, and light manufacturing (de Kadt 1979; Williams and Shaw 1988; Truong 1990; Lim 1998; Sindiga 1999). Richter (1992) has estimated that worldwide 1 of every 16 people has a job that is associated with the international tourist industry.

In the current global economy, millions of people now have opportunities to improve their lives in ways that previous generations could never imagine, yet the flow of capital among transnational corporations via direct/indirect foreign investments has also made global inequalities worse within and among nations. According to a United Nations (1999) estimate, the income ratio between the

top and bottom 20 percent of the world population grew from 30:1 in 1960 to 60:1 in 1990 and to 74:1 in 1997. The net worth of the world's 200 richest individuals more than doubled in the last four years alone (to approximately \$1 trillion), and the assets of the world's top three billionaires are now greater than the combined GNP of the least-developed countries and their 60 million people. Western countries have been the big winners in the latest round of technologically based economic expansion, with their gains being made at the expense of developing countries (United Nations 1999).

As a leisure product, the roots of tourism are found in modern Western culture. In western Europe and North America, tourism is promoted as being vital to life and health and is valued as a symbol of socioeconomic status (Sindiga 1999). This perception has led to great demand for holiday resorts and exotic cross-cultural tourist packages. Starting in the mid-1960s, paid holidays became a cornerstone of many employment packages in affluent countries, more so in Europe than in the United States (Truong 1990; Sindiga 1999). The combination of increased real income, paid holidays, and changing attitudes toward tourism, combined with substantial growth in commercial aviation, fueled the development of international tourism (Truong 1990).

Commercial aviation went through its greatest changes in the decades immediately following World War II. American factories, which had built enormous numbers of aircraft for the war effort, suddenly lost most of their demand. The American government continued to pay for military aircraft, which provided companies with the capital needed to develop nonmilitary products. Truong (1990) argues that the U.S. government helped commercialize the industry by enforcing related leisure policies. Meanwhile, European countries established airlines for their former colonies in order to strengthen their political and economic influence in newly independent countries (Truong 1990).

The combination of cheap air transport, new telecommunications technologies, and depressed economies in many developing countries led to new forms of mass international tourism, from 25 million visitors in

1950 to 280 million in 1982 to 673 million in 2000; over 1.6 billion people are expected to visit foreign countries annually by 2020 (United Nations 1999). However, the inequalities mentioned above make it very difficult for people from developing countries to participate in international tourism, and the political and economic benefits of advancements in air transport are limited to a handful of industrialized countries.

According to figures from the World Trade Organization (1998), the largest percentages of international tourists are European (60 percent of arrivals), American (20 percent), and Japanese (the majority segment of the 13 percent from East Asian/Pacific Rim countries); these are followed by Africans (3.5 percent) and citizens from countries in the Middle East (2 percent) and South Asia (0.7 percent). Tourism receipts reflect a similar pattern, with Europe receiving 52 percent of the money spent by visitors to foreign countries, the Americas 27 percent, and East Asian/Pacific countries 16 percent (United Nations 1999).

Whereas residents of developed countries consider the tremendous growth of international tourism to be the result of social progress (e.g., higher income, more leisure time, and improved work conditions and social welfare), governments and workers in developing countries view tourism as a source of survival in an environment of declining demand for both raw materials and the products of light manufacturing industries (O'Connell-Davidson 1998). Considered neither a leisure nor welfare policy in developing countries, tourism is viewed as an investment intended to capture some of the international flow of capital from industrialized countries (Williams and Shaw 1988; Sinclair 1998).

Since the 1990s, many nations in the Asia/Pacific region (including Nepal, Sri Lanka, Burma, Laos, Cambodia, Vietnam, Iran, and Samoa) and the Caribbean/Latin America (e.g., Trinidad and Cuba) have promoted international tourism as a primary means of economic development. For example, data from the Samoa Central Bank show that tourism has been Samoa's largest generator of economic activity, bringing in U.S.\$98.3 million in 1997 and U.S.\$114.6 million in 1998; the island product exports accounted for just U.S.\$37.5 million and U.S.\$50.9 million during the same years, respectively (Ah Mu 1999). In Iran, 100,000 foreign tourists spent \$33 million in 1996, making tourism the country's most important source of income after oil production (Swindells 1997).

From a functional perspective, tourism creates jobs and attracts foreign exchange, which supports other economic sectors in developing countries (Culpan 1987), but it also draws labor away from agricultural production (Williams and Shaw 1988; Truong 1990). This not only leads to the abandonment of fertile land, but it also increases the cost of food products since the remaining farm laborers can demand higher wages. Lim (1998) and Truong (1990) thus point out that international tourism can be blamed for the rising costs of food products in many developing countries. In addition, Williams and Shaw (1988:36) showed that the construction of many new hotels in the Algarve (along Portugal's Atlantic coast) during the 1960s and 1970s was followed by a population loss of 30 percent or more in several municipalities located only 50 to 65

kilometers (31 to 40 miles) inland. They wrote that good agricultural land, near tourist resorts, may be left uncultivated, being held speculatively in expectation of future development gains. The relatively higher wages paid to workers in the tourist sector (compared to farm laborers) can disturb long-held balances among various occupations and create a sense of materialism in developing countries that leads to unexpected social problems.

Tourism differs from other economic sectors in that it does not produce goods. From the perspective of dependency theory, international tourism is best described as the exporting of peripheral economies. All vital travel decisions are made on the demand side (e.g., by western European or North American tourists); ground management (e.g., local transportation, accommodations, and tour guides) in destination countries is frequently arranged by transnational companies or their local subsidiaries. As Sindiga (1999) describes the relationship,

host countries are considered the employees of Western visitors, yet they are unable to take full advantage of tourist development. In addition, the host countries must deal with the special problems that occur once a boom in local construction ends and workers attracted away from agricultural jobs are suddenly unemployed.

SEX TOURISM

Sex tourism involves the travel of an individual to another country with the explicit intention of seeking sex with local women or children. The biggest consumers of sex tourism are males from developed countries, notably Japan, the United States, and western European nations (Herold and van Kerkwijk 1992; Manier 1996; Pereira 1996; Macan-Markar 1999). The most popular destinations for sex tourists are Southeast Asia, the Caribbean, and Latin America places where sex is interspersed with regular beach-based tourist activities. Sex tourists are attracted to these specific areas due to their low prices, anonymity, openness of the sex trade, and exotic environments. Wishing to avoid the danger of crime or being arrested for their actions, sex tourists look for countries with relatively good sanitary standards, lax law enforcement, and readily available sex partners.

Price is a primary attraction for sex tourists in Southeast Asia: Whereas a single act of sexual intercourse may cost well over U.S.\$100 in Japan, it may cost only U.S.\$20 in the Philippines. The Japanese have traditionally been more open about organizing sex tours to Southeast Asian countries. Agnote (1996) reported that one Japanese promotion pamphlet stated in a straightforward manner that if you want to buy young girls but cannot afford to go to Thailand, Manila is the best place to go. Even today, a Japanese tourist can pay less for a three-day sex tour of the Philippines than for a single night out on the town in Tokyo.

Western males, many of whom believe in oriental myths, enjoy a sense of white superiority in Southeast Asia, the result of a combination of traditional gender inequality and a colonial mentality. Thus, a Swiss advertisement promotes:

Holidays with the most beautiful women of the world. An exclusive tour by Life Travel. ... You fly to Bangkok and then go to Pattaya.... Everything you want; [...] exotic girls or boys, massages, transvestite shows, dance and good and cheap food.... Slim, sunburnt and sweet, they love the white man in an erotic devoted way. They are masters in the art of making love by nature, an art we European people do not know. (O'Malley 1988:108)

In her case study of a habitual British sex tourist in Thailand, O'Connell-Davidson (1998) reported that her subject spends approximately British £1,500 during a three-week holiday organized by a respectable ABTA-bonded tour op-

erator and booked through a typical High Street travel agent. The subject pays just over £900 for his round-trip air fare, ground transfers, and accommodations, £300 for meals and drinks, and another £300 for sex. An experienced sex tourist, he knows how to get the most for his money by finding young and inexperienced prostitutes who work in less expensive brothels outside of established tourist centers. His budget allows him to live handsomely and, as he puts it, to go through about 30 or 40 girls on each trip. He patronizes bar girls and brothel-based prostitutes more than independent prostitutes, so much of his sex money goes to bar and brothel owners. Therefore, a majority of his money goes to Western-owned travel conglomerates and pimps, with less than 10 percent going to the women and adolescent girls that he exploits. This is a typical pattern for both sex and nonsex tourists. According to a study conducted by *The Economist* (Japanese Tourism 1987), two-thirds of the travel money spent by Japanese tourists goes to Japanese firms, for example, Japan Air Lines, the Japanese Tourist Bureau, and Japanese-controlled hotel chains.

In addition, there has been an increase since the 1970s in the number of international romance tourists—affluent European and American women who travel to Latin American and Southeast Asian countries for the purpose of making contact with local beach boys in host countries (Herold 1992; de Albuquerque 1999). Different from sex tourists, romance tourists are more likely to develop social relationships with male sex workers that continue even after the women return to their home countries. The male sex workers may earn money, gifts, or a visa to a Western country as rewards from their female clients (Herold 1992).

SEX TOURISM IN DEVELOPING COUNTRIES

If tourism is a passport to development, then sex tourism may be considered a shortcut to economic affluence for a small number of sex workers in poor countries. During the past four decades, the scale of prostitution in some Southeast Asian countries has grown to become an established economic contributor to national income and economic growth. Lim (1998) reported that between 0.25 and 1.5 percent of the women living in Indonesia, Malaysia, the Philippines, and Thailand

worked in those countries' sex industries, accounting for between 2 and 14 percent of the region's GDP. In Indonesia, Lim states that the annual revenue generated by sex workers is estimated to be between U.S.\$1.2 and U.S.\$3.3 billion, representing 0.8 to 2.4 percent of that country's GDP. She also noted that researchers at Thailand Chulalongkorn University estimated that prostitution generated U.S.\$22.5 to U.S.\$27 billion of economic activity (about 10 to 14 percent of the country's annual GDP) from 1993 to 1995.

In Southeast Asia, especially the Philippines and Thailand, sex tourism is closely associated with American geopolitical interests. During the Vietnam War, these two countries and, to a lesser extent, Hong Kong, Taiwan, and Japan (Okinawa) were the most popular rest and recreation destinations for U.S. mil-

itary personnel. Taiwan, Japan, and Hong Kong reduced the effects of the sex trade that grew to serve this population, but sex continues to play an important role in the economies of Thailand and the Philippines.

CHILD PROSTITUTION

There is increasing public awareness of the issue of child prostitution and sex tourism in Southeast Asia. According to the Bangkok-based End Child Prostitution in Asian Tourism (ECPAT) organization (1996), there may be as many as 1 million children under the age of 16 working in brothels in that country. According to a separate estimate from the United Nations (1999), 80 percent of the world's 1 million prostitutes who are under the age of 18 work in Thailand. The United Nations (1999) identifies poverty and its consequences as the primary factor in child prostitution, with some parents selling or forcing their children into the sex trade as a means of getting quick income for their impoverished households. In Nepal, many child prostitutes are runaways who are deceptively lured into the sex trade by middlemen who promise to find them legitimate jobs in the city or across the border in India. In Sri Lanka, orphans are the main source of child sex workers, with orphanages the main traffickers. In Africa, civil wars have made many children homeless; a significant number view the sex industry as their only means of survival.

In some societies (e.g., Taiwan, and China) it is believed that sexual relations with virgins is one way of staying young and feeling strong (Truong 1990; Bishop and Robinson 1998; Corben 1998). Many men believe that young girls are less likely to contract and transmit the virus that causes AIDS (acquired immunodeficiency syndrome) (Agnote 1996; Deen 1996; Schmelz 1996; Freedman 1999). However, the reality is that children are more susceptible than adults to sexually transmitted diseases since they are less likely to insist on using condoms. Younger children are more easily injured by penetrative sex due to their physical size, thus making it easier for viruses to enter their bodies (Deen 1996; Schmelz 1996; Corben 1998; O'Connell-Davidson 1998).

SEX TOURISM: ECONOMIC GAIN OR SEXUAL EXPLOITATION?

Will international sexual exploitation continue in this century? The answer

is yes as long as international inequality exists. Even though prostitution is legal in many wealthy countries, and even with premarital and extramarital sex considered normal behavior, people travel to developing countries for sex because it is cheap and provides a feeling of white and/or male superiority.

Efforts to change this situation have only been partly successful. When Thai authorities attempted to exert greater control over the country's sex industry in the 1990s, and when several Western countries made it a crime to visit a foreign country for the purposes of having sex with minors, many sex tourists and their

suppliers simply moved to Vietnam, Cambodia, India, Sri Lanka, and some Latin American and Caribbean countries that are more lax in enforcement. This is the latest in a series of moves that began in the 1970s, when Japanese sex tourists' favorite destination was Taiwan. As the price of sex and the social pressure to crack down on the sex trade increased, Thailand became the favored site. Today, Manila is favored by Japanese men who travel for sex. Such decisions may therefore be viewed in terms of rational economic behavior.

The sex industry survives because of the enormous profit it generates. It is estimated that a woman working in the Thai sex industry can make 25 times the prevailing wages of other occupations for Thai women. In the Philippines, a child's income from sexual exploitation is twice that from selling candies on the street. In Cuba, where a professional earns U.S.\$20 or \$25 a month, a prostitute can earn \$2 to \$10 for 15 minutes of sexual intercourse (O'Connell-Davidson 1996). Kaban (1998) estimates that the sex industries of Indonesia and Thailand now generate U.S.\$3.6 billion and U.S.\$20 billion in economic activity per year, respectively.

Unfortunately, these revenues do not necessarily result in economic development that benefits the entire country. Unlike other industries, sex tourism does not produce goods. During times of serious economic recession, demand can decline in step with reduced foreign investment and increased unemployment. Unfortunately, the local financial crisis in Southeast Asia during the late 1990s did little to reduce the sex trade, seeing that other countries continued to enjoy decade growth. More children and young women were compelled to work in the sex industry due to economic conditions. As long as international inequality exists, the demand for cheap sex will not disappear, and the sexual exploitation of women and children will continue in underdeveloped countries, with few benefits to those who remain its victims.

DISCUSSION

Since the late 19th century, world resources have flowed from undeveloped to industrialized countries during the steady expansion of the international economy. During that time, international labor division

has been based on military forces. Led by the United States after World War II, the capitalist world has used free trade as its main weapon to open Third World markets. The international division of labor also reflected the division of production processes among different nation-states prior to the 1980s. To some extent, a handful of nation-states were able to control the flow of capital across borders.

However, in the past decade capital has been able to move more swiftly among countries, and it has become more difficult for a small group of nation-states to control its flow. Today, capital flow is facilitating a new division of labor: the service industry, which includes financial, real estate, and hospitality services. Thus, a small number of core countries still control large amounts of capital via the high returns of capital markets, while hospitality—which de-

mands a large, inexpensive labor force—is relegated to developing countries that promote mass tourism.

In some ways, the sex industry may be considered one sector of the international tourism industry, one that also demands a steady input of labor. In the old pattern of international labor division, core countries put out orders for goods to be produced and exported by developing countries. Its social effect was limited to production-related activities associated with the formation of wage labor. But under the new pattern of labor division, service production and consumption occur simultaneously. When the service producer fails to recognize the long-term side effects of the product, the results can be appalling—that is, sexually transmitted diseases (STDs) in the sex industry.

This new form of labor division, along with the old form of labor production that still exists in some parts of the world, makes it difficult for developing countries to grow independently of the world-economy. Within countries, governments no longer have the complete power to steer the development of targeted industries for national interests since capital is no longer completely regulated by the state. In the new world order, sex workers are clearly exploited by consumers from the richest countries, but the host states find it very difficult to step in and control the situation. One wonders what form of governance might help the less powerful nation-states to regulate global capital and reduce the amount of exploitation of their workers.

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Page 39

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Chapter 4

Knowledge Production as a Factor in World Polarization

Maria Lucia Maciel

INTRODUCTION

The scientific and technological revolution of the past two decades has left us facing two major challenges: that of understanding the radical and accelerated social changes that have shaken all theoretical and empirical certainties we may have had in the past about the possibilities for future development and that of using that comprehension in elaborating efficient strategies for development. We cannot presume to understand recent transformations without reevaluating and adequating our theoretical and methodological instruments. It is now necessary to develop and employ new analytical strategies without forgetting our more fertile theoretical traditions. Meanwhile, the second challenge implies that we must also learn to make the best possible use of the material and immaterial resources these transformations have provided us with, by perfecting the available political instruments with the objective of including the greatest possible number of individuals in the distribution of the benefits of these transformations—in other words, social and economic development.

Most specialists agree that development today depends predominantly on the capacity for generating knowledge and applying it productively. It is, in fact, the indispensable factor of productivity, of competitiveness, but also of social capital. At the same time, there appears to be a general consensus on the efficacy of regional and local development strategies based on the interaction of various social agents and on an expanded circulation of knowledge and information. These two trends are easily identifiable in concepts such as Triple Helix, Systems of Innovation, Network Society, and Knowledge Society, among others. Innovation—in its wider meaning, encompassing technological, economic, and

social innovation—becomes the key object of social science and of development policies.

The comprehension of these processes is a necessary condition for implementing consistent innovation policies with medium-and long-term efficacy. As in many countries, most Brazilian efforts in this direction have been made by economists. On the other hand, we observe that sociological studies on the relation between innovation and social development practically are nonexistent. Economics has made important contributions to studies on innovation as it involves production processes and, thus, depends on an understanding of industry's role in development—regional and national—as well as on economic policy and on the macroeconomic environment in a wider sense. But statistics regarding advanced economies show that the innovative capacity of firms or nations does not come simply from their economic capacity for investment in new technologies, nor that of their leaders in elaborating adequate economic strategies, but rather from their social, cultural, and political capacity for the productive use and social capitalization of the available material and immaterial resources.

What we are forced to recognize is that most research and theoretical work on innovation and development does not yet satisfy our need for analysis and comprehension of the necessary *social* conditions, social processes, and social effects of innovation. Recent work on this subject suggests that radical socioeconomic transformations demand a radical change in perspectives and strategies of analysis. While not presuming to cover all the issues involved, this chapter sketches a panorama of the main conceptual/methodological problems observed and indicates some strategic suggestions for facing the two challenges mentioned at the beginning. The first section presents a synthesis of global transformations occurring in the wake of the scientific-technological revolution; the second section critically summarizes some of the current interpretations of this process and indicates alternative strategies; the third section focuses on what seems to be the core of the matter—the connection between democracy and knowledge; and the fourth discusses a Weberian concept of the rationality of capitalist development as an

example of alternative analytical strategy.

REVOLUTION

The scientific-technological revolution of the last two decades produces, simultaneously, new forms of material production—transforming its social relations—and new forms of immaterial production, that is, the production of knowledge itself (e.g., Gibbons *et al.* 1994; Schaff 1995; Castells 1996). Even the relation between science and technology is drastically changed, becoming ever closer, to the point where it is sometimes difficult to distinguish one from the other, while both are more and more being permeated by economic inter-

ests—as became evident in the case of the Human Genome, just to cite one example among many.

Globalization, which promotes the extended circulation of knowledge and information while at the same time aggravating socioeconomic disparities, spreads and intensifies those radical changes in the forms of material production. In other words, the present form of globalization results from the scientific-technological revolution while at the same time producing its diffusion—accompanied by its consequences—throughout the world. The dynamic relations activated by this revolution thrust on the stage previously unknown social actors and issues; they redefine some of the traditional ones; and they displace or destroy many others.

There still remains a gap between transformations in economic structures and forms of social and political institutional organization. The various manifestations of the present crisis (structural unemployment, deceleration of productivity, crisis in values, and a lack of perspectives) result from the incompatibility between new technologies and production processes, on the one hand, and obsolete social and organizational systems, on the other (Freeman 1995). With the increased diversity and complexity of new forms of organization of production generated in this transition, there is a tendency to the emergence of new forms of social organization and, thus, of political organization. This is a slow process of reestablishment of an organic coherence—which is dynamic and probably unstable—between the mode of production and the social and political relations associated with it.

The changes observed in the more advanced socioeconomic systems indicate a passage from a society based on the production of material goods to one founded on knowledge—what some have been calling *knowledge societies*. As socioeconomic reorganization penetrates the mode of knowledge production, the latter is flexibilized and rearticulated in multiple directions and dimensions, internally as well as in its exchanges with the social environment in which it develops.¹ In the context of the new technological paradigm, the production/ distribution of knowledge and the reduction of social inequalities become reciprocally

indispensable.

This revolution demands and tends to produce dynamic articulations among actors and institutions (for example, universities, firms, and the state, but not only these) in a process of innovation that is not only technological but also—and more importantly—social. The necessary strategies will depend on the capacity for technological and social innovation—in a country, a region, a community. This capacity is configured by social conditions existing in the cultural and institutional environment, more than by the availability of material resources. The immaterial changes (Freeman 1995) that occur in the production of intangibles as well as in material production generate social change—thus the possibility of development. This is why knowledge is valued as a strategic agent, not only for economic accumulation but also for the functioning of the state and of society. In this sense, what we need to study and understand is the

mode of articulation of economic and intellectual factors of development in each social formation, that is, the specific social configurations of the mode of articulation in a given society.

CONCEPTS AND MODELS

In their efforts to understand our contemporary revolution, specialists in many parts of the world have formulated various concepts and models that have in common a focus on this articulation between knowledge and production. Triple Helix (Etzkowitz and Leydesdorff 1998), Systems of Innovation (Edquist 1997), Porter's Diamond (Porter 1990), Innovative Environments (Maciel 1996), Transepistemic Arenas (Knorr-Cetina 1982), Mode 2 of Knowledge Production (Gibbons *et al.* 1994), Network Society (Castells 1996), Knowledge Society (Stehr 1994), and Learning Society (Lundvall 2000) are just a few examples among the more well known. Nonetheless, and despite some brilliant formulations, we still consider that our analytical capacity remains limited and that a considerable part of empirical studies based on these models is unsatisfactory and, as such, frustrating. Why is this? I propose, as a tentative answer, an ensemble of three intimately related factors that seem to be restricting our interpretative and explicative capacity, accompanied by strategic counterpoints that may point the way to a richer, more fertile path in order to increase the potential of studies in the field of innovation and social development.

DISCIPLINARY ISOLATION

As I have already suggested in the introduction, it can be observed that most of the work being done about innovation and development is done by economists. If, on the one hand, it is true that their contribution has been extremely relevant from the point of view of the analysis of macroeconomic policies and environments as well as industrial microenvironments, on the other, it very rarely integrates the perception that these processes vary widely according to diverse sociocultural and political-institutional contexts. In order that economic facts and processes be explained not in and of themselves (as if they were self-evident) but on the basis of the cultural environment that contextualizes them, the economic focus must be associated with a sociological perception of the

nature and characteristics of the networks of symbolic and social relations reflected in wide-ranging political and institutional arrangements.

Here, possibly more than in any other field of study of social processes, interdisciplinarity becomes indispensable. Socioeconomic development demands socioeconomic conceptualization and policy strategies. It is therefore my conviction that innovation processes and their relation with regional development demand the exercise of an interpretative capacity that is effectively interdisciplinary, integrating—or, at the very least, stimulating the interaction of—the concepts and methodologies of economics and the social sciences.

ISOLATION OF THE OBJECT

This problem is practically inseparable from the first, but it has its own specific characteristics and also serves to better explain what I said above. The narrow limits of a focus on firm productivity, on industrial policy, on unemployment, on technological innovation pure and simple, or on competitiveness, for example, restricts our possibilities for the comprehension of social change and reduces the competence for the elaboration of development strategies. Changes in material production and in the production of knowledge have established and developed complex multiarticulated relations between the two processes. The notion of a *system* of innovation is a response to the observation of evidence that there is a need for coordinated action on the part of the various social actors involved, aiming at socioeconomic development. Many specialists today underline as a *sine qua non* condition the interaction of these three significant groups of actors: governmental institutions (including policies, legislation, structure, and organization), the business sector (including the organizations, associations, and entities associated with this sector), and producers of knowledge (classically, public and private universities, public and private research institutes, etc.). These are the components of what is now called by some the Triple Helix (Etzkowitz and Leydesdorff 1997, 1998), which in fact represents a part—albeit an extremely important one—of this multiarticulated web of social actors and forces involved in the process of promoting development.

More comprehensive still is the idea of *environment*, partly inspired by Porter's Diamond (1990:127), which seeks to embrace the complex combination of conditions (limits, obstacles, possibilities, stimuli) of innovation in any given social formation circumscribed in time and in space. In this sense, Innovation Environment refers to the specific combination of political, economic, social, and cultural factors that stimulates or restrains innovation processes and includes the system as defined above. This approach permits us to identify the social factors of the capacity for innovation, in which

- *social factors* refers to the relations between the state and civil society, in their institutions, their history, and their culture;

- *capacity* refers to the organization of civil society, to social capital, and to the accumulated stock of knowledge and human resources. It derives from the mode of articulation between economic and intellectual resources;

- and *innovation* is not just technological process but is also social, political, and economic.

The challenge of understanding such complexity is that our explicative power increases as far as the focus is widened and the scope of analytical instruments is extended. The idea of complexity proposed by Edgar Morin (1982) as a methodological principle can be an adequate instrument for the study of these

multifaceted objects. According to Morin, an undefined and unpredictable world presents itself to the observer as obscurity, uncertainty, ambiguity, paradox, and contradiction; from all sides emerge the need for an explicative principle richer than that which privileged that which is material, definable, measurable. This is not to propose a mere measure of complication but rather a methodological principle by which objects depend on other objects, relations depend on other relations. Which is more or less what we have been trying to do in explaining contemporary transformations. The idea, then, is to think in terms of processes more than results, relationships more than things. Or, in a Weberian sense, privileging comprehension over explanation.

THEORETICAL ISOLATION

Much of the conceptual work done in the recent past in the field of innovation and development has concentrated on elaborating new analytical models, some of them extremely precise, often modeled on mathematical equations. The attractive logic of these schematic models often distracts our attention from the fact that they do not explain reality (which is anything but precise and mathematical). Even where concepts are more far reaching and allow for the irrational and subjective aspects of any social process, there seems to be a constant pre-occupation with formulating a “new” concept or model, frequently leaving in some “recycle bin” the knowledge accumulated throughout a long history of theoretical elaboration.

The classic founders of sociology (this is certainly true for other disciplines as well) have left us a rich heritage of the building blocks we need to deal with the comprehension of complexity. It is not possible, within the limits of this chapter, to go into (unnecessary) detail on theories that are well known and well read. As examples, I would remind the reader of Marx’s contribution regarding the contradiction inherent in the development of productive forces, so appropriate to the study of innovation, and of the Weberian concept of “elective affinity,” which, postulating a special type of association and causal relationship among the several social spheres, or dimensions, allows us to perceive—in innovation processes, for example—the cultural-historical diversity of

social solutions for problems related to economic development. A retrieval of classical theory may be the most fertile strategy for an innovative analysis of contemporary processes of social change. We will come back to the Weberian example later.

KNOWLEDGE AND DEMOCRACY

If, as has already been said, development depends on modernization and, more important, on innovation in the productive system, and if innovation, in its turn, depends on the circulation of information and knowledge, it follows that innovative socioeconomic development depends on and implies the democratization

of knowledge. In this sense, we can propose another definition of innovation, where it is the development of new forms of producing, applying, and distributing knowledge. Robert Merton (1968) argued that knowledge (in this case, scientific knowledge) cannot develop in an authoritarian context. Knowledge needs democracy. My argument here is that knowledge also breeds democracy. It is no longer a matter of focusing on new knowledge but rather of examining the social relations of appropriation of scientific and technological knowledge. Of course, once more the need for an interdisciplinary approach becomes evident.

Classically, it has always been considered that concentration of wealth meant concentration of power and that the ownership or control of capital guarantees the exercise of political—and social—power. The theories on social classes and most work on the correlation of forces within the state were based on the premise that political power is directly or indirectly produced/reproduced by those who detain economic power.

Consequently, most formulations related to issues of social justice and democracy contained at some point—as a moral and intellectual element—the distribution of wealth, with a variety (according to the school of thought or political preference) of processes suggested to achieve it. At the same time, the idea that “knowledge is power” is new to no one—but this does not contradict what was said before since, historically, access to knowledge has been the privilege of the most favored classes, with money, education, and the sufficient free time indispensable for the development of thought. What is relatively new in the history of humanity is that the sources of power may be changing: no longer defined hierarchically so much by social position based on economic power and gradually shifting to the acquisition of knowledge. If science and technology gain more and more importance as a factor of production, eventually predominating over capital, in the theories about new technoeconomic paradigms, then we must rethink the sources and the limits of power.

We should keep in mind that the intended objectives of technological progress express historically constructed and socially diversified needs. In the same way, the nature and the amounts of governmental

investment vary from state to state according to how they are differentiated as to the exercise of power. This is true for the needs and objectives they express as well as for the intensity of the expression (Figueiredo 1989). The power of the various social segments is differentiated, and decisions do not depend on the individual capitalist (or Schumpeterian entrepreneur) or leader but on the social environment in which he functions. The capacity of individuals and groups for organizing and exerting pressure aiming at social progress and a (re)distribution of power depends, in great measure, on their degree of education and information (*latu sensu*), that is, on the accumulation and distribution of knowledge. If we follow this line of thought logically, we come to accumulation and distribution of knowledge instead of accumulation of capital and distribution of wealth.

Of course, this idea has several theoretical and methodological implications (which do not fit within the limits of this chapter) regarding, for example, the-

ories of work, distribution of power in terms of social classes, and eventually, the idea of a social class detaining a greater potential for organization and social action—then, power—as a result of its stock of knowledge and not of material wealth. Methodologically, it is not difficult to imagine the construction of an indicator (or indicators) not only of the total knowledge accumulated in a given society but also of its distribution. Thus we return to the issue of theoretical strategies for the study of social mechanisms and processes of accumulation and distribution that determine the capacity for innovation.

Let us not forget the other side of the coin. If, on the one hand, the increasing availability of information and knowledge creates opportunities for those who did not have access to it in the past, on the other, it is also true that all social processes of massification (of education or information) in history have been accompanied by a corresponding elitization of knowledge. For example, the expansion of basic education was accompanied by an increase in universities, and these by an increase in graduate courses, in doctoral degrees, then in postdoctoral degrees, and so on. In fact, if we are speaking of accumulation and distribution, we cannot forget the issue of concentration—internationally and nationally, affecting countries and regions as well as social classes. Which leads us to the case of developing countries and a return to Weberian sociology.

RATIONALITIES OF DEVELOPMENT

The specific characteristics of the mode of articulation of economic and intellectual factors in any given society derive from a differentiated and complex combination of political-institutional arrangements and cultural environments. The diversity of recent histories of innovative modernization in traditional societies (e.g., Japan, Italy) inspired a return to the Weberian discussion of “elective affinities,” with the objective of understanding the “environments” of a new “spirit of capitalism” and, eventually, of contributing to an evaluation of the possibilities and limits for developing countries.

Contemporary capitalism is, obviously, not the same as that studied by

Weber. In these two decades of revolution, we see that the societies that are successful in the process of technoeconomic and social innovation are not the same ones as at the beginning of the century. There are multiple variations of success, defined by the national and local cultures where it occurs. We saw the success story of Japan and the Asian NICs (newly industrialized countries) and observed successful innovative impulses in Italy and Spain. More recently, interesting processes have been happening in China, Portugal, and Ireland. In some cases, such as that of Italy (Maciel 1996), we verified that the usual indicators of financial investments, science and technology policies, and the formation of human resources, situated in the framework of a Weberian instrumental rationality, may be necessary but are insufficient to explain success in innovation.

The particular characteristics of a cultural configuration define the (material and immaterial) resources available for innovation and indicate the forms of its

social appropriation. In a general sense, it is the social heritage of attitudes, behaviors, values, and norms incorporated into the collective unconscious along the centuries. This heritage includes the explicit and implicit political culture and the technical culture that, on a more specific level, contribute to explain national success stories. This was, with other words and in another language, the work brilliantly done by Weber (1985) in *The Protestant Ethic and the Spirit of Capitalism*.

In the Italian case, for example, conditions that Weber would have considered adverse to capitalist development and modernization, such as patrimonialism and value-oriented action, are now part of what some consider a model—or example—of innovative development. Weber (1985, 1982) in fact argued—both explicitly and implicitly—in *The Protestant Ethic* and in his writings in the *Sociology of Religion* that Catholic cultures and the oriental religions would not be propitious to capitalist development. But the fantastic development of Japan and the other success stories mentioned do not contradict Weber. On the contrary.

As I have indicated earlier, the Weberian inspiration is in fact extremely relevant to our field of study in that it helps to identify affinities between cultural configurations and modes of socioeconomic development. What I am suggesting is that the transformations we have been observing in contemporary capitalism may find certain affinities with other “ethics” and rationalities, possibly more than in the cultures originating from ascetic Protestantism. This hypothesis has clear implications for developing countries.

The idea that the Anglo-Saxon Protestant countries are “by nature” more efficient at attaining the aims of rational capitalist development is pervasive in many regions of the world, producing a sort of “inferiority complex” and, worse, a resignation—as it were—in the face of the realities of underdevelopment and of international economic relations and of the difficulties in changing those realities. But, as I have been suggesting, the criteria of “performance” have been changing along with the changes in the organization of production. The “repression of

affective and sentimental elements of the personality in the name of success” of the lucrative firm (Souza 1999) is not necessarily a factor of performance in contemporary capitalism. Values such as trust and loyalty are now repeatedly being considered as fundamental in the new paradigm, and the relational society seems to be more attuned to the times, the spaces, and the articulations of social and productive systems in transformation. In many cases, abilities that have developed through history in order to cope with extraordinary difficulties result in a capacity for flexibility and agile response to challenges that are considered as “competitive advantages” in the contemporary economy. And communitarianism seems to be a positive factor in participative democracy, as we can observe in the “Third Italy” (Putnam 1993; Maciel 1996).

The point is that there is not one unique “model,” be it Japanese, Italian, or any other, to be imperatively followed and that no culture has a monopoly on the factors for successful socioeconomic development. Each case must be stud-

ied according to its peculiarities, its specific characteristics, and the international context—with its limitations and opportunities—in order to evaluate what should be its own, specific strategies and mode of development.

NOTE

These rearticulations are well described in Gibbons et. al. (1994); in Knorr-1. Cetina's (1982) "transepistemic arenas"; and in Etzkowitz and Leydesdorff 1997.

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Chapter 5

The Debt Crisis and Debt-for-Nature Investment at the Periphery: The Costa Rican Case

Ana Isla

ECONOMIC DEVELOPMENT AND DEBT CRISIS (1982–1991)

In the early 1950s, the discourse of economic development promised elimination of poverty in the Third World countries through different kinds of investment in the economy for economic growth. Investment in economic development was presumed to be also a war against poverty that fostered communism. Poverty was understood as the absence of industrialization, Western consumption patterns, and/or cash incomes (Mies and Shiva 1993). Development in Costa Rica was initiated in 1948 with the agreement reached between the state and the industrialists and the pact consummated between the state and the U.S. embassy (what Aguilar [1989] and Cerdas Cruz [1998] call the Early Defeat of the Working Class during the Cold War). These alliances made possible the rule of the Partido de Liberación Nacional (PLN) for three decades. The PLN's administrations were committed to economic development theory and followed the ideology that the transition to industrialization (modernization) was central to development. Initially, the role of the PLN state was to create the general investment conditions required to develop individual capital. Later, influenced by Keynes and the Economic Commission on Latin America and the Caribbean, the state changed its role from being private-accumulator supporter to public-accumulator organizer (A. Sojo 1984). As public accumulator, it directed the state's savings to create an industrial class and, in particular, to support state investment in areas where the size or nature of the private investment was too inconvenient for security reasons or too expensive to be initiated by an individual entrepreneur.

Overwhelmed by industrial development responsibilities, the Costa Rican government became indebted by 1978. Rodrigo Carazo's election from the Par-

tido Unidad (PU) put an end to three decades of PLN rule. The political opposition was organized around opposition to the state's accumulation. In 1981, the increased interest rates and the amount of foreign loans became insupportable, and Costa Rica suspended unilaterally all payments on its foreign debt. Carazo's government accepted the IMF (International Monetary Fund)–World Bank package but was unable to deliver it for fear of losing the next election. The IMF closed its doors, Costa Rica was unable to get further loans (Petch 1988; C. Sojo 1992; Vega Carballo 1992), and capital accumulation stopped. The debt crisis alienated PU constituents, and the PLN candidate, Luis Alberto Monge Alvarez, won the 1982 elections (A. Sojo 1984). By 1982, the Monge administration (1982–1986) adopted U.S. Agency for International Development (USAID) advice and renegotiated the debt with the Paris Club and the U.S. commercial banks. Following those agreements, Costa Rica started the full implementation of the IMF stabilization policy and World Bank structural adjustment programs.

In February 1982, the *Washington Post* reported that the U.S. Reagan administration allotted \$19 million to overthrow the Sandinistas. The PLN, over-whelmed by debt and alienated by anticommunism, surrendered national sovereignty. Carlos Sojo (1991:59) quoted Fernando Zumbado, Costa Rica's ex-ambassador to the United Nations, saying that "the country was in need of foreign aid to reestablish the economy and the only possible funding source was the United States. Monge understood the Reagan administration's obsession with Nicaragua and Costa Rica's importance for the United States policy of aggression." In August 1984, in answer to the United States' demands that Costa Rica take a more confrontational stance, the Monge administration accused the Sandinistas of penetrating Costa Rican territory (C. Sojo 1992:25). The accusation made by the Monge administration created a political crisis in Costa Rica that had two goals: First, it prevented social dislocation, due to the IMF and World Bank economic policies, and second, it created a consensus (and avoided strikes) between poor and rich that a patriotic stand was needed to confront the Sandinistas (C. Sojo 1991).

As the United States escalated the war against Nicaragua using Costa

Rican territory, USAID funds to Costa Rica escalated (Petch 1988). In 1981, the United States contributed U.S.\$15.3 million. In 1982, the amount rose to U.S.\$52 million. In 1983, aid increased to U.S.\$214.1 million. In 1984, although the total fell to U.S.\$179 million, almost two-thirds came in the form of grants, with an additional U.S.\$9 million for security assistance. By 1984 the U.S. contribution represented a staggering 5 percent of (Costa Rican) GDP (gross domestic product), 20 percent of the cost of total imports (or half the cost of imports from the United States), 25 percent of government expenditure, and twice the budget of the central government—and these figures represented a substantial reduction from the levels of 1983 (Petch 1988:204). Carlos Sojo (1991, 1992) had shown that the violence of the Cold War and the violence of structural adjustment allowed the United States to use not only Costa Rica's territory as a strategic

military resource but the USAID as a parallel state. The transfer of money allowed the USAID office in Costa Rica to design and deliver what it called the Programa de Estabilización y Recuperación Económica (ERE). To deliver the ERE program, the USAID stated that Costa Rica had three categories of problems to correct: financial, investment, and privatization. To correct the financial problems, the USAID promoted the development of the private banking system. To amend the investment and export-promotion problems, the USAID created a private organization called the Coalición Costarricense de Iniciativas para el Desarrollo (CODESA), which concentrated on channeling foreign exchange and national currency for the expansion of the nontraditional export projects. To remedy privatization problems, the USAID sold CODESA's 18 public enterprises and transferred the funds to the private sector.

In trade policy, USAID proposed the administration of the money donated by private banks to buy goods from the United States. In monetary and financial policies, USAID proposed daily devaluations to increase profit in the export sector. The USAID economic restructuring meant the deregulation of commercial and productive activities. Deregulation led to the development of portfolio investments and intensified the exploitation of natural and human resources. The imposition of the ERE program intensified income disparities and equity ratios between the richest and poorest groups. Among the poorest groups between 1987 and 1991, extreme poverty increased almost 50 percent, while poverty rose by almost 20 percent (Vega Carballo 1992). Nearly three-quarters of the poor lived in rural areas, and young people suffered 10 percent unemployment, a rate nearly 2.5 times the national average (*La Nación*, qtd. in Vega Carballo 1992). Among the middle class, C. Sojo (1997) has revealed that before 1981 structural poverty affected 8 percent of families, but by 1990, 15 percent of the population had become the new poor, meaning that new poor sectors were added in the 1980s to the existing poor. In Costa Rica, as in most societies around the world, women's contributions to both market production and subsistence agricultural production have been unrecognized. The bulk of work performed by women is overlooked, and therefore women's productivity

has been assumed to be low. According to Marilyn Waring (1988), women's exclusion is achieved by making women's contributions invisible and by leaving the negative impact of economic development and growth on women unrecognized and unrecorded. According to C. Sojo (1997), the majority of poor families were headed by women. In 1991, President Rafael A. Calderón recognized that three of every ten families lived in poverty. Women earning less than the minimum wage headed 36 percent of these families.

How did ERE's imposition affect rural women's capacity to support the family and the community? The historical crisis faced by Costa Rican women became recognized during the debt crisis. Until then, governments in general were blind to the fact that women were landless and poor and that women's work counted for nothing (Waring 1988). In rural areas, as poverty has increased, women have been forced to look for jobs outside the *finca* (household). The

increase in the export of goods and services, and particularly nontraditional agricultural exports, has incorporated women into paid productive activities. Since 1990, the growth of the service sectors (among them ecotourism) has been accompanied by a tendency toward self-employment and wage work in small businesses and microenterprises (without keeping books and without benefits). In the rural areas women's and men's wages are both depressed and unchecked (Isla 2000). With depressed wages in the rural areas, having a job does not necessarily ensure that people are well off.

Rural women's marginalization has been deepened by the state-led cash crop growth model that has reduced support for production for domestic consumption, undermining the food security of rural peasant communities. With production reoriented toward international markets, peasants are compelled to purchase their basic foodstuff (rice and beans) in the international market, mainly from the United States. Even though more than 35 varieties of beans have been identified under cultivation in the southern part of Costa Rica, the production of these beans is disappearing (Jimenez 1998). Policies to import grain are justified on the grounds that it costs less than domestically produced grain, although peasants are made vulnerable to exchange rates, the vagaries of international markets, and loss of biodiversity.

The basic idea behind the ERE policies is that the country's structural problems can be solved by increasing nontraditional export production and developing "nontraditional agriculture." Nontraditional rural development programs involve agricultural intensification through green revolution, based on the use of petrochemical fertilizers, herbicides and pesticides, and heavy machinery. Costa Rica has the highest rate of fertilizer use in Latin America. Between 1981 and 1984, it consumed 32 percent of 2,251,400 metric tons of fertilizer (Ramirez and Maldonado 1988:56). Between 1970 and 1985, pesticide imports grew from 5.6 to 12 million kilograms (12.3 to 26.4 million pounds). In 1984, the annual average application of pesticides was 4 kilograms (8.8 pounds) per hectare, and the average application of fertilizers on crops was 139 kilograms (306 pounds) per hectare (Ramirez and Maldonado 1988:56).

Between 1983 and 1985, Costa Rica used official development assistance (ODA) from Canada to establish three lines of credit for fertilizers (MOU 1995). As a result of this debt, the Canada– Costa Rica debt-for-nature agreement was signed in 1995 to pay the ODA loan to Canada.

SUSTAINABLE DEVELOPMENT AND THE ECOLOGICAL CRISIS (1989–1999)

The creation of Costa Rica's ecological crisis is explained by the new fear created, this time, by sustainable development: If poor countries are not rescued from their poverty, they will destroy the environment, "wreaking havoc on the world." Again, poverty is the excuse for new assaults. Proponents of sustainable development argue that the poorest countries have only one route to sustainable

development, that is, the expansion of “natural” capital and “human” capital,” that is, humans producing wealth (Hamilton 1999). The Comprehensive Development Framework developed by the World Bank defines sustainable development as the management of the entire cycle of life (humankind and nature) with the intention of expanding wealth. By expanding the measure of wealth, the World Bank implies the inclusion of natural capital and human resources in national-asset accounting. Kirk Hamilton (1999), of the World Bank Environment Department, emphasizes the World Bank’s concern with “poverty reduction” around the world, particularly in Third World countries, and its attempts to expand the concept of wealth and a method to measure it. He states that one possible definition of sustainable development is the management of a nation’s portfolio of assets. A nation’s portfolio of assets includes built infrastructure, natural resources (minerals, energy, agricultural land, forest), human capital, and social capital. Therefore, sustainable development requires not only macroeconomic policies, that is, structural adjustment, but also the management of human resource development (Hamilton 1999). What matters for the World Bank vis-à-vis sustainable development is how natural capital is managed and whether the rents (profits) from the natural capital endowment are invested in repaying the debt.

This economic perspective put forth by the World Bank, supported by the United Nations Educational, Scientific, and Cultural Organization (UNESCO), the IMF, industrialized countries, development agencies, and many corporate environmental nongovernmental organizations (NGOs), reduces the worthiness of humans and nature to one commensurable measure, that of energy flows in ecosystems expressed as a market cost. Reducing diverse senses of worthiness to the one dimension of market value, conventional economics has sidelined the issues of poverty and ecological destruction. The search for profit and the rate of profit on real capital determine the dynamic and direction of social and ecological activity. Costa Rica’s sustainable development is implemented during the violence of structural adjustment and debt swaps imposed by the creditors. Acting as Costa Rica’s parallel state in 1989, the USAID, in

conjunction with the corporate environmental organizations operating in Costa Rica and the Ministry of Natural Resources, Energy, and Mines (MIRENEM, now Ministry of Environment and Energy, MINAE), organized a conference titled the Estrategia de Conservación para el Desarrollo Sostenible, known as ECODES. At this conference, the forestry crisis was revealed: That between 1940 and 1977, 68 percent of Costa Rica's land was deforested and that from 1970 to 1980, Costa Rica had one of the highest deforestation rates in the world—50,000 hectares (123,555 acres) of primary forest every year (MIRENEM 1990; Matamoros 1995).

The purpose of ECODES was to evaluate the past economic development strategies and to propose a new one. At the center of the discussion was Costa Rica's financial obligations to repay its debt that demanded disproportionate amounts of resources, high levels of deforestation and pesticide use, contami-

nation of rivers and oceans, and an exhausted agricultural frontier. Participants discerned the origins of the debt and ecological crises in the past economic development strategy; nevertheless, growth, capital accumulation, and technology were offered as a cure in the form of sustainable development. Costa Rica's sustainable development was described by Christopher Vaughan (1989), head of the World Wildlife Fund (WWF) in the United States. Vaughan argues that human population expansion threatens biodiversity. By overemphasizing the role of population growth in environmental degradation, his model legitimized enclosure as a top priority.

The atmosphere surrounding ECODES permitted President Oscar Arias Sanchez (1986–1990) to sign Decree No. 19153-MIRENEM-C to establish the National Biodiversity Planning Commission. It established three means of discovering the intellectual and economic potential of biodiversity for development: (1) by saving representative samples; (2) by determining what biodiversity exists and where; and (3) by integrating its nondestructive uses (Gamez 1991). To save representative samples of biodiversity the Sistema Nacional de Areas de Conservación (SINAC) was created by MINAE. To assess what biodiversity exists and where, and to promote nondestructive uses of biodiversity in intellectual and economic development, the National Institute of Biodiversity (INBio) was created (Gamez 1991). President Arias's administration agreed to convert up to U.S.\$5.4 million of its commercial bank debt into debt-for-nature funds. Debts were sold by commercial banks in the secondary market at discounts of up to 70 percent. Under this mechanism, the Costa Rican government is not allowed to receive the debt titles directly—they must be donated through an NGO, which becomes the government's creditor. To receive its first commercial banks' debt-for-nature investments, Costa Rica's government created the Natural Parks Foundation and the Neotropical Foundation NGOs (Hitz 1989).

President José Figueres Ferrer (1994–1998) allowed debt to be exchanged for sustainable development. These government debt-for-nature initiatives are not typical swaps because there is no transaction of debts (buying in the secondary market) and no intermediary

organizations (donors and brokers). Signatory governments (creditor and debtor) must donate the value of the debt to their environmental organizations to promote sustainable development and to increase the involvement of women in development.

CONSEQUENCES OF SUSTAINABLE DEVELOPMENT

O'Connor (1994) argues that sustainable development is a new form of capitalism in which the management of nature is pursued through controlled new regimes of investment and through the extension of the price system across space and time. Corporate environmentalists seek to extend industrial control to the realms of nature and human nature through a process of "land planning" that adheres to the conditions and imperatives of the world market. Thus, sustainable development management responds to debt and ecological crises by extending

its hegemony over community resources for the purposes of commodity production. What follows is the evidence of the further disruption of the human-environment symbiotic relationship to restore global profits. In 1995, the Canada–Costa Rica debt-for-nature agreement was signed to pay the ODA loan to Canada. The funds created were oriented to environmental activities and were issued under the Memorandum of Understanding, which contains articles that specify the allocation of the funds to ACA (Arenal Conservation Area)-MINAE and to INBio. The CAN\$5.6 million in ACA has been disbursed as follows: \$2.7 million (Propuesta 1995) to support the Arenal Conservation Area model of management and to assist in the dissemination of the model to other conservation areas; and \$3 million for Investment in Strategic Projects using debt-for-nature funds (Proyectos de Estrategia de Colocación de los Fondos de Canje de Deuda) to finance projects, particularly microenterprises, in the whole country. Since 1991, the Canadian International Development Agency (CIDA), the World Wildlife Fund–Canada (WWF–C), and MINAE have been working in the Arenal Conservation Area (ACA–Tilaran) as the Arenal Conservation and Development Project (Arenal Project).

The Arenal project developed a Land Plan for sustainable development in ACA–Tilaran (ACA 1993). ACA–Tilaran covers 250,561.5 hectares (619,161 acres) (M. Mora 1998); 116,690 hectares (288,353 acres) were declared protected areas. Of these, 76,707 hectares (189,551 acres) (37.54 percent) were reserved for biodiversity research purposes only. This Land Plan affected the resources of 108 communities in the area that were excluded from the planning and decision-making processes that changed their lives and livelihood. The Land Plan of the Arenal Project had four negative impacts on two communities (Fortuna and Z-Trece). The project

- redefined biodiversity as *natural capital*;
- appropriated land and wildlife as resources for scientific research for the
- exclusive use of researchers;

undermined local livelihood; and

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transformed communities from agricultural producers to service providers.

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First, the project redefined biodiversity as natural capital. From a relational category, ecologically, socially, and culturally embedded in local communities, nature has become natural capital. As natural capital (the entire environmental heritage of a country such as agricultural lands including pasturelands, timber resources, nontimber forest, protected areas, and nonrenewable resources [metals, minerals, oil, coal, gas, etc.]), forest, biological diversity, and water have had market prices imposed on them. The Arenal Project has done this by

- selling the oxygen produced by the trees, which is calculated at an estimated value; industrialized countries promote trading credits and compensation for the oxygen that the forests supposedly produce;

- marketing biological diversity; researchers make inventories of local species
- by cataloguing plant and animal species;
- privatizing the water of the community; in 1997, ACA–Tilaran paid a
- consultant to calculate the value of the area’s water (Ballestero 1999).

Second, the project appropriated land and wildlife as resources for scientific research for the exclusive use of researchers. The Land Plan allowed MINAE to take the right to landownership from small farms and place it into the hands of the government in order to promote the race for biodiversity inventory and species prospecting. Enclosed reserves of genetic material are put under pressure by the commercial interests of industry and corporate NGOs. Since 1994, ACA’s core protected areas (37 percent of the total land) have supported the projects of three research organizations:

- INBio, the Costa Rican NGO, is involved in parataxonomy and chemical
- prospecting. It searches for new pharmaceutical and agricultural products from plants, insects, and other biological samples.

- ACA-MINAE, in partnership with INBio, is involved in two research projects. One is prospecting for Biodiversity Resources of the ACA Development Project, funded by the World Bank and INBio; and the other is ECOMAPAS
- (Development Knowledge and Sustainable Use of Costa Rica’s Biodiversity), funded by The Netherlands (M. Mora 1998) in partnership with INBio and SINAC.

- The World Wildlife Fund–Canada, the Canadian NGO, in partnership with the
- Asociación Conservacionista Monteverde (ACM), collects material and researches flora and fauna in ten areas of the ACA territory (PROACA 1996).

Third, the project undermined local livelihood. The land enclosure of the nucleus area has eliminated the rights of the communities to their own territory and resources and transformed community members into criminal intruders. The newly formed private land in ACA’s territory is patrolled by seven park guards that are organized as the Unidad de

Control (Police Control Unit). When the Unidad de Control finds community members breaking regulations stipulated in the Land Plan (that is, not paying fees or intruding on designated research areas), the park guard confiscates anything the individual may have obtained on the land (e.g., fish or game) and whatever tools were used, then reports the offense to the office of the public prosecutor.

A year ago, three of us were patrolling Quebradon Patusi where many people used to hunt. We heard barking dogs and saw a *chavalo* (young man) walking behind the dogs. We walked in silence to corner him, but one of us tripped. The *chavalo*, scared to death, started to run, then swam, and then ran again, this time on a wall of rocks. To try to stop him, we shot at the air, but he never stopped, because he knew that he was breaking the law. (Unidad de Control, Summer 1998)

Among the *campesinos* settlers in the area, natural resources (wild or cultivated) were considered the property of the landowner. However, a significant number of community members traditionally hunted in the jungle surrounding the forest reserves and national parks or fished in the numerous rivers that now are closed to them as part of the conservation area. MINAE's offices are in charge of selling permits to anyone who wants to fish, hunt, or harvest forests. Rich foreigners and Costa Ricans pay fees to kill any animals they want, while poor Costa Ricans (being unable to pay fees on a regular basis), whose source of sustenance and livelihood is still nature, are turned into criminals.

The project undermined local livelihood in a second way: Entire communities have suffered forced eviction. Central to the changes in ACA–Tilaran, particularly in the city of Fortuna, was the Land Plan's recommendation to change the Arenal volcano category. The Arenal volcano had been designated as a Forestry Reserve in 1969 (Law 4380) with 5 protected hectares (12.4 acres), but in November 1994, the volcano and the surrounding area became Arenal Volcano National Park (Decree No. 23774–MIRENEN) with 12,010 hectares (29,678 acres). While the majority of the land around the volcano is not arable or adequate for cattle ranching, small farms had existed in the area. In 1994, this land was bought and/or expropriated by MINAE to expand the National Park. Peasants who had organized their lives by clearing land for agricultural production and pasture around the Arenal Basin were evicted by MINAE and its police (Control Unit). Only 54 percent of the landowners were compensated. In Costa Rica's Supreme Court (Division IV of the judicial system), an injunction reports heavy losses by *campesinas/os* who lived in the Basin area of ACA–Tilaran. They lost land, pasture, homes, dairies, and roads. Former property owners have become hut renters (*ranchos*) or slum inhabitants (*tugurios*) in the cities. The personal effects of the *campesinas/os*, such as cars and small electrical appliances, were seized by the commercial banks when they could not repay loans acquired for development (Monestel Arce 1999). When in desperation some of them returned to their former lands to plant yucca, beans, maize, and other subsistence foods, some of them were

thrown in jail (*Siete Días de Teletica* 1999). Dispossessed rural men and women were forced to sell their labor power in cities at extremely low levels of remuneration.

The fourth negative impact is that the project transformed communities from agricultural producers to *service providers*. The Arenal Project effectively reproduced the social division of labor characteristic of the world-system and made some communities into specialized areas for ecotourism. Ecotourism promotion linked conservation areas with tourism. Ecotourism is described as environmentally friendly, sustainable, and naturebased. It is promoted as an alternative activity that generates income while protecting the environment. This activity promotes visits to relatively undisturbed natural areas with the aim of studying and enjoying the scenery, wild plants, and animals around Arenal volcano. But tourism disrupts the area. For instance, in Fortuna, until recently, farming accounted for an important part of local people's activity. But around

1996 Fortuna's rural areas became less agricultural and more service oriented. Ecotourism produced changes not only in the production structure but in the composition of employment, particularly during the high season. In 1999, the commercial sector, which includes hotels, rental cabins, restaurants, and tourist attractions, became the number-one activity in Fortuna Centro (Fortuna City) and Z-Trece. This sector employed 240 workers in hotels and tourism-based industries, representing the majority of the workers in any single sector.

In 1994, an Arenal Project Study concluded that most of the people living in the area were engaged in subsistence farming and resource extraction and had little access to an outside market to generate cash income (Ulloa Gamboa 1996a, 1996b). As quality of life is measured in terms of income, individuals or families who gain their livelihood from resource extraction using the area biomass are considered poor people putting pressure on the environment, which should be discouraged. To discourage the use of the biomass by the community, the Arenal Project introduced sustainable production projects. The promotion of nontraditional export production based on cost-effectiveness in the women's sector thus complemented its sustainable development strategy.

BIOPROTECTION OF THE ECOSYSTEM

INBio was founded to receive debt-for-nature swaps. It was organized as a private organization with the cooperation of the Costa Rican government and the world scientific centers and industry (Mateo 1996). The CAN\$5.6 million of Canada's Costa Rica debt-for-nature funds went into INBio's Biodiversity Prospecting Division. The main objective of this division is the systematic research of new sources of chemical compounds, genes, proteins, micro-and macroorganisms, and other products of commercial interest. The division identifies opportunities to obtain profits from products and services of added value that originate from biodiversity resources. Manipulation of the ecosystems to maximize the single component of exploiting the genes is thus initiated in INBio's laboratory and then further developed through experiments in the installations of INBio's partners (industry). INBio's conservation scheme

transforms nature into a reservoir of material resources for bioprospecting and biotechnology. INBio has gained greater leverage for influencing government environmental policy, and its conservation is promoted as an ecologically sound, morally necessary solution to the environmental and development crisis. However, INBio's sustainable development approach

- has reduced nature to fragments,
- has devalued local communities as ecological authority and plundered their means of livelihood,
- has targeted indigenous knowledge for appropriation through parataxonomists,
- has expropriated massive social investments, such as debt-for-nature, for private gain,

- has no public accountability, and
- promotes recolonization.

Sustainable development is based on the destruction and subordination of nature as a living organism. Living organisms become raw material. INBio's inventory division initiated its activities focusing on a limited number of taxa—plants and insects (1989), molluscs (1993), and fungi (1996). However, after five years, the output of this exercise was overwhelming, and close to 2 million insect specimens are still waiting to be fully cataloged (Sancho n.d.). For most of these samples, no technology yet exists that can biotest all the potential health and nutritional benefits of the chemical substances found in those species.

According to Mies and Shiva (1993) and Merchant (1990), reductionist science is at the root of the growing ecological crisis because it entails a transformation of nature that destroys its organized processes, rhythms, and regenerative capacities. Reductionism permits knowledge of parts of a system to stand for knowledge of the whole. Fragmentation creates the possibilities of colonizing and controlling what is a free, self-generative, and communal source and reduces complex ecosystems to a single component, and a single component to a single function. The single function becomes the single component for exploitation. In INBio's sustainable development, the marriage between knowledge and force became transparent.

INBio's approach has devalued local communities as ecological authority and plundered their means of livelihood. A community's work as the keeper of nature for centuries has no value, while scientific labor is perceived to add value. In this process, one part of society has a monopoly over nature, and the rest of society is excluded. However, that part of society that is excluded is forced to bear the ecological and economic cost. For indigenous peoples, biodiversity is a relational category, ecologically and cultural embedded. Within the Canada/ Costa

Rica debt-for-nature agreement, INBio organized a conference in 1998 between Canadians and the indigenous peoples of Costa Rica. The Costa Rican indigenous people were told that they could benefit from biodiversity negotiations. The Talamanca indigenous people answered: "We do not want to know about making business with biodiversity; we are happy living like we are. What we want is just to keep and use the land, with the knowledge our ancestors handed down to us" (Anonymous interview, Summer 1998). To them biodiversity is priceless and therefore nonnegotiable. Biodiversity is their source of medicine, their source of food, and particularly the source of their myths and traditions. Selling their biodiversity is comparable to selling their culture and, more deeply, their soul.

As INBio's work undermines the rights of the local communities to use their environment, the inadequacies and limitations of its conservation concepts become very clear. Attaching a dollar value to the local environment and its organisms devalues the local biodiversity and the community's knowledge of the

properties of that environment. INBio's approach has also targeted indigenous knowledge for appropriation through parataxonomists. Parataxonomists possess intimate knowledge of the rural ecosystem, and they are able to contend with the various adverse factors encountered—weather, snakes, physical hazards. Parataxonomists acquire information concerning the protected area and become information generators (Anonymous interview, Summer 1998). However, in INBio's conservation schemes, parataxonomists' work does not add value. Their work is considered an extension of nature's work. Even though parataxonomists are considered nonspecialists because they have no formal degrees, INBio uses their knowledge to initiate every process. They work at the biological stations in the conservation area and bring their collections to INBio on a monthly basis. Technicians label specimens with bar-codes that contain geographic data—family name, altitude, type of weather, the collector's name, and the date). Then they process and prepare the material for taxonomic identification by the curator. Parataxonomists and technicians receive feedback, planning, and guidance from INBio's curators, who work within a larger network of national and international taxonomy experts.

As of April 1997, INBio had 26 Biodiversity Offices in the various Conservation Areas, where some 32 parataxonomists were stationed. As research centers are organized in the so-called nucleus centers, these areas are prohibited to rural communities unless they are part of the taxonomist program. In this way, INBio denies any contribution by those people whose products are appropriated. INBio collects local knowledge, through the parataxonomists, and passes it on to the international and national business communities.

The INBio approach has expropriated massive social investments, such as debt-for-nature, for private gain. INBio has a monopoly not only of knowledge but of profits. INBio, as a private broker bolstered by its government, works as an intermediary between MINAE (administrator of wildlife) and industry. INBio becomes the international actor—negotiator of the Costa Rican state. However, INBio, created as a nonprofit, is a private institution that manages the samples of biodiversity and has

jurisdiction over the inventory, prospecting, and commercialization of Costa Rican biodiversity (Gudynas 1997).

In the partnership agreement signed in May 1994, both INBio and MINAE assume that conservation areas are common goods in the state's hands, but they exclude local communities' rights to use them. INBio's Inventory Division collects material from the conservation areas under MINAE administration. In exchange, INBio has taken the responsibility to support SINAC. The tenth clause of the 1994 agreement stipulates that in cases of bioprospecting research INBio must contribute at least 10 percent of the original budget to support the management and conservation of the conservation areas. In INBio's first agreement (1991), Merck and Company awarded INBio U.S.\$1 million toward research to carry out a two-year, nonexclusive collaboration. Conservation areas received 10 percent of the original budget to support their conservation efforts, while

INBio used 90 percent for research, certain start-up costs, and the training of four Costa Rican scientists at Merck (INBio 1995).

INBio is not subject to public control and information, nor is it subject to parliamentary control. Its negotiations with respect to Costa Rican biodiversity are secret. INBio's director has explicitly stated that the agreement with Merck and Company is not a public document, according to Costa Rican legislation, and that therefore it is not subject to approval by Congress. Furthermore, INBio denies the existence of privatization in its case because it does not have title of property over plants and animals (Gudynas 1997). However, INBio has jurisdiction over parts or derivatives that a third party could trade in the international market. The owner of the specimen (pharmaceutical company) can patent the by-products of the specimen, and INBio receives a percentage of the royalty from the trading.

Martínez-Alier (1996) argues that the ownership concept in this scheme is in trouble. Who is the owner of the biological sample? The local community, the parataxonomist, the enterprise that bought it, the local government, the national government, or the NGOs? Furthermore, Martínez-Alier states, Nicaragua and Panama have the same biodiversity as Costa Rica. If INBio, MINAE, or other NGOs sell samples of biological species from Costa Rica that are also common to Nicaragua and Panama, who is, in fact, the owner?

Finally, the INBio approach promotes recolonization. Nora Martin, from INBio's Bioprospecting Department, states that by establishing mutually beneficial agreements, INBio is breaking the centuries-old tradition of freely accessing biologically rich material from tropical countries without providing returns to the country of origin. Furthermore, she argues, these partnerships promote the upgrading of the country's scientific and technological capacity through technology transfer and training opportunities for Costa Ricans in the short term, while generating the financial means to support the country's wildland maintenance costs in the medium term (Martin 1998). Using the Peruvian experience, Gudynas (1997) disputes this belief. He explains that a German company that

exploits “*Una de Gato*” (Cat’s Claw) from Ashaninka’s community in Peru made U.S.\$25 million in 1996, of which only U.S.\$60,000 was paid to the community. INBio’s work is helping northern industry to rob Costa Rica’s heritage and probably the heritage of the entire Latin American region as well.

Patents and biotechnology contribute to a two-way theft. First, they steal biodiversity from indigenous producers. Second, they steal safe and healthy food from every consumer of the world. Monopoly rights on life forms are conferred on those who use new technology to manipulate genes, while the contributions of generations of farmers and agriculturalists, in the Third World, in the areas of conservation, breeding, domestication, and development of plant and animal genetic resources, are devalued and dismissed (Mies and Shiva 1993:127–38).

Martínez-Alier (1996) argues that from an ecological perspective the economy lacks common standards of measurement because we do not know how to give present values to future, uncertain, and irreversible contingencies, and because

such values depend on the allocation of property rights. Prices depend on the distribution of income and on the problematic allocation of property rights to items of “natural capital.” Thus, future costs and benefits are very much in doubt. Furthermore, Martínez-Alier argues that the measurement of present value costs and benefits will depend on the rate of discount. The appropriate rate of discount would be determined by the “sustainable productivity of capital,” but the measure of sustainability depends on the measure of depreciation of natural capital, and the measure of natural capital depends on the allocation of property rights and on the distribution of income, which is why measures in monetary terms look so arbitrary. Thus, to assess intellectual property claims in these processes is far more difficult, if not impossible. These acts of colonization are redefined to be acts of sustainable development and improvement. In carrying them out, INBio has opened the doors for the capital accumulation of industry to become firmly established in commercial genes’ production. Biodiversity is the new source of threat to the life of the colonies. Thus, sustainable development deepens the dichotomy *development/underdevelopment* because it produces a shift in power from communities to industry, from the keepers to the wasters, from periphery to core countries who are the owners of industry.

CONCLUSION

Economic development projects fail to address the complex political, economic, and social power imbalances that cause poverty. They are based on the assumption that peripheral countries are culturally backward, thus reducing their rural women and men to supply raw material and cheap labor to the industrial parts of the world. For instance, Costa Rica’s debt is the cost of trying to achieve industrialization, understood as development, but the result has been that rural women and men have grown increasingly disillusioned with development and democracy. Nor do sustainable development projects confront poverty and ecological crisis because the model does not depart from the ideology and practices that accelerate these crises.

The World Bank claims that sustainable development expands wealth (understood as profit, capital accumulation, and growth) to pay the debt.

But that economic growth has required evicting local peoples from enclosed land, making them criminal intruders; privatizing forests, biological diversity, and water; breaking community relationships with nature as nature has become natural capital; and entrenching community members in the social division of labor of the world-system through specialization in ecotourism. In pursuing sustainable development through debt-for-nature, Costa Rica is compelling *campesina/o* producers to transfer control of their natural resources, a change which pushes them into a state of desperate survival in the cities.

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Chapter 6

The Weakness of the Semiperipheral Nation–State: The Venezuelan Case

Trudie Coker

In 1989, President Carlos Andrés Pérez of Venezuela signed an agreement with the International Monetary Fund (IMF) that led to the bloodiest riots since the 1960s. Within the next five years, poverty almost doubled. In 1992, there were two coup attempts in Venezuela, unprecedented in over 35 years of stable democracy. In 1994, the same president who signed the IMF agreement was impeached for corruption. In 1996, the probusiness and neoliberal anticorruption organization Transparency International found that out of eight Latin American democracies Venezuela was the most corrupt (Bamrud 1996). By the late 1990s, the two-party system that had shared power in Venezuela since 1958 had literally fallen apart. Political institutions and the corporatist structure that linked labor and business to the government crumbled. In 1998, President-elect Hugo Chávez was the first candidate ever to be elected outside the traditional two-party system. He was a general who led one of the 1992 coup attempts. President Chávez won tremendous popular support, vowing to eradicate corruption and to give Venezuela back to the people. In survey research conducted in 1996, 1997, and 1998 among university students, corruption was consistently what they believed to be the main problem facing Venezuela.

Corruption is the popular explanation for everything that is wrong with Venezuela. In reality, corruption and mistrust of the government do not explain the economic and political crisis because these beliefs have been an integral part of Latin American political culture and did not spring into existence when crisis set in. National actors like political parties and government agencies are obvious and easy targets for blame within the context of a political culture that traditionally harbors almost complete mistrust in government. This is not to say that mistrust based on a widespread belief that corruption is typical is unreasonable. Indeed,

Venezuela is known to have some of the most corrupt political insti-

tutions in Latin America. Mistrust of government is more or less common in most parts of the world. Mistrust generally means that people do not believe the government necessarily represents their interests or the interests of the public. Belief in the causes of mistrust refers to a more general phenomenon that ranges from legitimate to illegitimate (mostly illegal) actions on the part of officials or institutions. The belief in widespread corruption is a dimension of the causes for mistrust that refers to illegal and illicit behavior. In the United States, people tend to mistrust government but do not have a specific action, individual, or political institution in which they place blame. In Venezuela, and in much of Latin America, blame is placed on specific actors and given a specific cause—that is, corruption. In much of Latin America, and specifically in Venezuela, corruption in general is seen as a, if not the, main cause of political and economic crisis.

What is obscured by the belief that corruption is the root cause of economic and political crises is, of course, the more complex historical and global context of crisis. Even more serious though is the belief that the solution to crises lies in ending corruption and not in attacking the antecedent causes of inequality. Primary to explaining crises is the weakness of states in Third World countries. States in Latin America often lack the capacity to effectively initiate policies of redistribution, for example. In part, this is because states in Latin America are more likely to be subject to economic currents and stronger actors in the world-economy. In the 1920s and 1930s, the modern state arose in the aftermath of foreign domination of Venezuela's vast oil reserves. Nationalism itself is a reaction to perceived domination by outsiders.

This is not to say that the history of colonialism, regional resources (such as oil), and cultural factors don't influence the depth of crisis. Indeed, a political culture that fosters almost universal mistrust of government and a general belief that, if given the opportunity, most people would practice corruption to enrich themselves is a major cause of the weakness of political institutions. If institutions are illegitimate, then those who are subject to formal rules will not believe in following those rules. What is corruption but the unequal (unfair) application of the rule of law? As

Tocqueville pointed out long ago, the foundation of democracy is equal application and adherence to the rule of law whether you are the president or a common citizen. Rather than establish the important historical antecedents of corruption, however, I intend to determine the extent to which belief in corruption exists and to examine the link between this belief and a specific form of global inequality. The relative weakness of the Venezuelan state in the world-economy is verified by the extent to which the state is unable to resist the influence of stronger global actors, even if that influence runs counter to the public interests state institutions are supposed to represent.

For the 20 years that I have been going to Venezuela, and based on extensive interviews of several high-and medium-level officials, most people blame increasing immiseration on corrupt national and local actors such as the political parties and their local affiliates, the labor unions affiliated with the national labor

confederation, the various government ministries, and the presidents themselves. For this reason, I chose to do attitudinal research to actually test how widespread these views are, as well as to gauge people's perception of their government, of democracy in general, and of the place of foreign actors in Venezuela's impending crisis. Thus, political culture as it applies to this research is rather limited to attitudes of a people toward their government and toward their relationship with that government. This is not too far from Diamond's (1994:7) definition of political culture as "a people's predominant beliefs, attitudes, values, ideals, sentiments, and evaluations about the political system of its country, and the role of the self in that system."

Mistrust and the belief in widespread corruption can be established as part of political culture by verifying that these beliefs have a historical pattern. This pattern will be based on comparing similar survey research dating back to the early 1970s through the 1990s. Obviously, a 30-year time period is not what we usually think of as historical, but it at least is a beginning for establishing patterns of beliefs. Before Chávez was elected in 1998, I conducted survey research in June and July 1996, in October and November 1997, and in April 1998.¹ Four universities and a wide range of classes were targeted in the Caracas area.² For example, business, chemistry, biology, engineering, political science, sociology, education, and political economy of Venezuela courses were included in the sample. Four hundred twenty-nine instruments were collected. Unavoidable problems did not allow me to collect the surveys at one time period. The 1998 sample was taken entirely at the Universidad Central de Venezuela because the university was on almost continuous strike for a year and a half (or closed for holidays) during the 1996 and 1997 data collection points. Because this is the largest public university in the country, this was an important sample to include in my data. There is a well-represented sample in the universities, although there are some attitudinal differences of which the most significant will be discussed below. The most conservative university (Universidad Metropolitana) is private. The Universidad Católica is also private but not as conservative. The Universidad Simón Bolívar is the second most prestigious university

in the country and is public. The physical sciences, technology, and business are overrepresented, but there are social sciences and humanities programs. The Universidad Central de Venezuela is the most prestigious and largest university in Venezuela and is public. Their faculty and students are known to be politically active, and many are leftist oriented.

Although the population of Caracas is nearly half the population of the country, a sample of students from all over the country would obviously better represent the population of university students. I chose a student population for practical and theoretical reasons. Students are an accessible and contained population. More important, students have historically been at the forefront of social movements in Venezuela and represent those that will most likely become the professionals and politicians of the future. Although students are often considered a subelite group, especially in less-developed countries, most responses

from this group of students show remarkable compatibility with responses of previous surveys dating back to 1976 that surveyed a wider range of subjects.

In addition, there are concerns about the comparability of the three time periods. For most variables there are no statistically significant differences between time periods. Since certain universities are overrepresented for each time period, these nonsignificant differences reflect the cohesiveness of the sample as a whole. For those variables that do have statistically significant differences between time periods, most reveal predictable patterns. For example, answers to several questions that measure distrust in status quo politics show that distrust is increasing with time. These differences will be discussed below.

We can establish that mistrust in government and widespread belief in corruption are part of political culture by showing that these phenomena have existed over an extended period of time throughout Venezuela and Latin America in general. Within a democratic context, a mistrust in government would show that people are not confident that the government will represent their interests. At least since 1973, survey research reveals a pattern of mistrust and a belief that corruption is common. Seventy-three percent of 1,434 respondents answered that their government had not done a good job with the country, 63 percent responded that the government served more the interests of powerful groups than of all the citizens, and 74 percent said that public officials are not concerned with what the common people think. Eighty-one percent said that there were a lot of corrupt leaders in the government (Baylora and Martz 1979). Welsch and Carrasquero (1996) found the same thing in 1993. Seventy-one percent said they mistrusted the government, and 75 percent mistrusted the corporatist civil partners represented by the Federation of Industries and the umbrella labor confederation the Confederation of Venezuelan Workers [CTV]. Lagos (1997) found similar responses in a survey of 17 Latin American countries. Although somewhat different questions were asked, my sample reveals similar findings. When asked to list their first choice for the most corrupt groups, respondents chose government ministries, the mainstream political

parties, and the presidents themselves in that order.³ Notice that the armed forces and other political parties were not common first choices.

In my sample, 90 percent either strongly agreed or agreed that political parties have interests that have nothing to do with the public good. Ninety-three percent agreed or strongly agreed that corruption is common in Venezuela, and 72 percent responded that they believe most Venezuelan politicians are corrupt. In fact, 61 percent listed corruption as either the first, second, or third most important problem in the country. Some 130 respondents out of 429 listed corruption as their first choice for the most important problem facing Venezuela.⁴

Even though more people are admitting corruption is a major problem in Venezuela by the late 1990s than they were in the 1970s, because the general belief that corruption is common has been established over time, one cannot entirely blame distrust and a belief that corruption is the main problem facing Venezuela for Venezuela's recent economic and political crisis. For everyday

people, economic crisis is their worsening quality of lives and the foreboding reality of poverty. That many people blame their increasing impoverishment on corrupt politicians is easy enough to understand. But worsening conditions are not, for the most part, explained by corruption. Rather, increasing impoverishment and lack of access to basic resources can be at least partly explained by Venezuela's position in the world-economy.

The state had managed to balance redistribution and state capital accumulation during the 1960s and 1970s by harnessing legitimacy through its corporatist partners of labor and business and by keeping foreign actors at bay. Although explained in much more detail elsewhere, the state successfully *temporarily* challenged the foreign oil companies' dominance in Venezuela by organizing cohesive action against these actors (Coker 1999). During this time, wages increased, public spending on social programs such as health care, education, and agricultural reform reached unprecedented heights, infrastructure spending increased, and poverty remained relatively low. A sense of more or less economic well-being is reflected in Baylora and Martz's (1979) survey research of 1973, where most people do not see economic issues as their biggest personal worry. Only 4 percent responded that poverty and hunger were major problems in Venezuela. But when state capital accumulation was globalized through increasing the foreign debt, its capacity to maintain political legitimacy and redistribution dramatically decreased.

When the price of oil skyrocketed in the mid-1970s and the government had nationalized oil by 1976, banking on ever-increasing oil prices, public agencies borrowed millions and millions of dollars from foreign banks to begin massive capital-intensive development projects (mainly in aluminum and oil) and to accumulate numerous domestic businesses. The first state-owned steel complex was created, and state investments in manufacturing increased from 9 percent in 1964 to 46 percent of total investments by 1972. Between 1974 and 1981 public sector investments went from 32 percent of total investments to 60 percent (Coker 1999). But rather than accumulating capital more slowly through available oil

rents, the state used foreign borrowing to accelerate capital accumulation. The public external debt increased from \$729 million in 1970 to more than \$29 billion by 1980 to almost \$35 billion by 1994. As the state capital accumulation via foreign debt superseded redistributive goals, the negative effects on most people became clear even prior to the 1989 adoption of austerity measures to repay the debt.

Public spending on education, health, and other social programs that had been increasing through the 1960s and 1970s began to decrease by the 1980s. Between 1972 and 1978, per capita government expenditure on education and health rose from \$73 to \$101 per capita on education, and from \$27 to \$35 per capita for health (World Bank 1982). Between 1972 and 1985 the percentage of total government expenditure on education decreased from 19 to 18 percent, and on health from 12 to 8 percent (World Bank 1987:247). Yet total government spending as a percentage of the GNP (gross national product) increased

Table 6.1

Venezuelan Labor Remunerations and National Income in 1984
Bolivares Millions

Year	Average % of Workers Covered by Collective Contracts ^a	Average National Income	Average Labor Remunerations as % of National Income	Average Monthly Income of Workers in 1984 Bolivares
1958	7.9	25,113	48	3,690
1960	5.5	25,56	51	3,928
1965	3.7	29,349	51	3,617
1970	5.2	41,616	51	3,336
1975	5.9	83,427	46	3,805
1980	7.9	193,955	47	5,010
1985	5.7	319,144	48	4,177
1990	5.9	993,296	42	3,131 ^b
1994	1.7	3,822,705	47	1,319 ^c

aNumbers are based on an average for the five-year period. For example, 1965 averages are based on the mean of 1961, 1962, 1963, 1964, and 1965.

bBased on 1986–1989.

cBased on 1992–1994.

from 22 to 26 percent. Total public spending on social programs in general declined even more precipitously during the late 1980s and in the 1990s from 8 percent of GDP (gross domestic product) in 1987 to 4 percent of GDP by 1994 (CORDIPLAN/UNICEF 1995).

The influx of imported goods and domestic spending on the part of the government caused inflation to cut into wages by the end of the 1970s. While real wages reached their peak in 1980, by 1985 they had begun to decline, and by 1994, the average monthly income was more than three times lower than their 1980 rate (see Table 6.1). After the government signed the economic adjustment program package in 1989, poverty increased from 36 percent in 1984 to 68 percent by 1991 to more than 80 percent by the end of the 1990s. The informal labor market has more than doubled in the past 15 years. The increase in infant mortality due to malnutrition increased from 30 deaths per 100,000 in the population in 1988 to 60 deaths by 1990 (Coker 1999). The percentage of school-children dropping out has increased. Crime, prison riots, strikes, public riots, and the public use of force have all dramatically increased during the 1980s and 1990s.

This crisis is realistically reflected in the attitudinal research cited above. Other than corruption, poverty was the second most common choice when students were asked to rank order what they believed were Venezuela's most se-

Table 6.2**Do Venezuelans Believe Their Economy Is Being Controlled by Foreign Banks and Corporations?**

I believe that the Venezuelan economy is being controlled by foreign banks and corporations.

	1996	1997	1998
Strongly Agree	31 19%	24 17%	41 33%
Agree	74 46%	53 38%	49 40%
Disagree	30 19%	35 25%	25 20%
Strongly Disagree	9 6%	4 3%	2 2%
Don't Know	17 10%	24 17%	7 5%

Total

161

140

124

rious problems. Fifty-one percent chose poverty as their first, second, or third choice. There was a statistically significant difference in answers to this question between the three time periods. More people chose poverty as Venezuela's most serious problem over time: In 1996, 12 percent chose it first; in 1997, 19 percent did; and by 1998, 32 percent of those sampled said poverty was Venezuela's biggest problem. When asked if the quality of life of the common person in Venezuela was worsening, 95 percent agreed. Interestingly, in 1973, at a time of increasing state involvement in the economy and with national policy focused on distribution and accumulation, less than 4 percent responded that poverty and hunger were the most important problems in Venezuela. Nevertheless, Venezuelans still believed that economic issues were Venezuela's most serious problems in 1973. Thirty-eight percent said that the cost of living and of food was the most important problem facing Venezuela, and 18 percent said that unemployment was the most serious problem.⁵

There is more of a disjunction, however, between how people view general social problems in Venezuela and how they view their own personal problems in the earlier time period than there was in the later time period (see Table 6.2). The convergence of the economic issues in personal and public domains stands out in the later years compared to the 1973 period. In 1996–1998, when asked which problems worried them personally the most, 71 percent listed economic problems and the cost of living as their first or second most serious personal worry. Only 21 percent of respondents in the 1973 survey said that economic

problems or the cost of living were their biggest personal worries (Baylora and Martz 1979). Thus, while 56 percent of the earlier sample believed Venezuela's biggest problems were economic, they did not view economic problems as their biggest *personal* worry; whereas in the 1996–1998 sample people viewed economic concerns as both Venezuela's biggest problem and their own largest personal difficulty. This convergence of personal and public problems coincides with the real deepening of economic crisis in Venezuela by the 1980s, and most likely is at the bottom of deligitimation of political institutions by the 1990s.

Increasing mistrust in government effectiveness is also reflected in reality. Thus, people's lack of trust that the government will represent their interests plays out in reality. People are getting poorer, and they feel less and less represented by political parties. As noted above, by the mid-1990s, the status quo parties that had shared power since 1958 had completely lost legitimacy and were voted, for the most part, out of power. But their increasing belief that corruption explains the reason for mistrust is misguided. If anything, corruption would theoretically be most probable when the state was most involved in the economy back in the 1970s and 1980s. In any event, there is no evidence that it dramatically increased during the late 1980s and 1990s.

While mistrust, then, is a realistic part of political culture, the reasons for mistrust are very much linked to the general ineffectiveness of policies. And policy ineffectiveness can at least partly be explained by a state being juggled between the often conflicting interests of its corporatist partners and the constant pressure from the IMF and World Bank. The contradictory demands of labor and capital (both domestic and international) are clearly reflected in the policy areas of price controls and wages. The first state-decreed price controls were implemented in 1974 and 1975 to compensate for the influx of capital into the economy that subsequently increased inflation (ILO 1974; Hernandez and Lucena 1985; McCoy 1986–1987). The threat of a general strike by CTV was an effective tool in pressuring the government to reverse detrimental economic policies during the 1980s. Due to international and local capital pressure, prices were liberalized in 1979 and almost immediately

reversed due to labor conflict and pressure (*LAER* 1979:3). In 1980 and 1981, under IMF pressure, the state released subsidies on basic staples like sugar, coffee, corn flour, and rice despite labor protests (*LAER* 1981:72). But they were again instituted due to labor and popular pressure. After 1982, price controls and wage increases were even more costly for the state to maintain because oil prices plummeted. Under IMF domestic and international capital pressures, prices were released again in 1985, 1986, 1987, and 1988 despite labor protests. In all cases, however, price controls were reinstated due to labor pressure (*LAWR* 1984:8; *LAWR* 1985a: 8; *LAWR* 1985b: 5; Figdor 1986; *LARA* 1988:6; Oppenheimer 1989). State-decreed wage increases and then wage freezes occurred as many times. Wage freezes were often directly linked to IMF pressure (*LAWR* 1984:8). Even with decreed wage increases and price freezes, it is clear that policies were completely ineffective in reducing growing poverty (see Table 6.1). With the constant reversals of

policies and then reimplementations of the same policies, it is not surprising that confidence in government actors was at an all-time low by the 1990s. And as poverty increases, national political actors are easy targets for blame. If people perceive that corruption is the main problem facing Venezuela and poverty is the second most important problem, as revealed in the survey research cited above, it is logical that they link corruption to the economic crisis.

Increases in mistrust for government and in the belief that corruption is common reflect reality, but the causes of that reality are obscured by the belief that corruption is the main problem facing Venezuela. In reality, much of the crisis is due to the inability of the Venezuelan economy to withstand global economic variations such as in the price of oil and other products and in the ineptitude of the state to effectively buffer the negative effects of these variations. While national actors must share the responsibility for globalizing state capital accumulation via foreign borrowing, the primacy of servicing the debt over meeting basic human needs is largely the result of global capital effectively imposing its own interests upon an incapacitated state. Repaying the debt clearly superceded the basic needs of the population. That the state was unable to prevent dramatic increases in poverty, unemployment, and poor living standards only heightened people's sense of rage toward disabled national political actors. But this rage takes place within the context of support for democracy and a belief that things can be done to better the system.

Although covered extensively elsewhere, this sample revealed total support for the destruction of politics as usual and overwhelming support for democratic institutions. And just because people no longer believe in their government, they do believe that there is something that they can do to make things better. Eightytwo percent of my sample agreed or strongly agreed that if they participate, along with other Venezuelans, they can change the political structure for the better. If broken down by years, this sense of political efficacy increases with time! Unfortunately, a major weakness of survey research is the lack of depth represented in close-ended questions. Although symbolic reductionism is a problem, we

can conjecture that based on above discussions about corruption that people tend to believe that the main solution for resolving Venezuela's problems lies in getting rid of corrupt public officials. While this is definitely important, it obscures the foundation of inequality in the world-economy itself. Having said this, however, subjects are increasingly aware of the possible negative effects of more powerful global actors on the Venezuelan economy. The awareness of the influence of international actors on Venezuela's political and economic life increased just during the three years in which data were collected (see Table 6.2). Even though the relationship between these variables is not significant, note that 65 percent of respondents surveyed agreed that foreign banks were controlling the Venezuelan economy in 1996. Fifty-five percent agreed in 1997, and 73 percent agreed by 1998.⁶ Moreover, the intensity of the answers significantly changed. Those *strongly agreeing* to the question increased from 19 percent in 1996 to 33 percent by 1998.

Table 6.3**Do Venezuelans Believe That the Intervention of Foreign Banks, Like the International Monetary Fund, Is Good for Their Nation?**

I believe that the intervention of foreign banks, like the International Monetary Fund, is good for most Venezuelans.

	1996	1997	1998
Strongly Agree	8	11	2
	5%	8%	2%
Agree	58	53	21
	36%	38%	17%
Disagree	50	26	57
	31%	19%	46%
Strongly Disagree	21	16	23
	13%	12%	19%
Don't Know	24	33	20
	15%	23%	16%
Total			

Note: The relationship between these two variables is statistically significant at the 0.01 level.

Similarly, those that think that the intervention of foreign banks like the IMF is good for most Venezuelans declined from 41 percent believing that it was good in 1996 to only 19 percent believing it was good by 1998 (see Table 6.3). Even though people increasingly believe that foreign intervention is not good for the Venezuelan economy, they do not seem to link foreign intervention to lack of government control over the economy. Sixty-seven percent of respondents agreed or strongly agreed when asked if they believed that the government had the capacity to control inflation. The above discussion of ineffective policy over price controls reveals, to some extent, the lack of government control over inflation and the extent to which the IMF and World Bank influenced policy on prices and wages, even when implementing IMF-sponsored policies would clearly increase poverty. To allow prices to fluctuate according to global market prices, when the average wage per month is less than \$400, and has been declining for the past 15 years, is to plunge most people into poverty. And this, in part, is what has happened. While it is discouraging that people seem to believe that the main reason for their declining quality of life is corrupt politicians that steal the nation's wealth, there is optimism in the fact that people are increasingly aware of the negative role of global capital and that there is also a widespread belief that their actions can influence political outcomes.

People's attitudes about their worsening life chances correspond very much to economic reality. That they still tend to see corruption as Venezuela's main

problem is, for the most part, misguided. Even though poverty was the clear second choice as Venezuela's main problem, by listing corruption as the primary problem, people seem to be connecting the causes of poverty to corruption and its link to inept government. While this certainly has something to do with lack of legitimacy for political institutions, it does not, in reality, explain increasing poverty. Whether corruption may or may not have increased over the past half century is impossible to know. Even assuming that it has, it is nevertheless unreasonable to think that politicians are stealing so many billions of dollars as to actually throw people into poverty or that their ineptness alone has caused the downfall of the economy.

Recall that increasing mistrust in government corresponds to the real worsening of economic conditions in Venezuela and to the growing ineffectiveness of key policy areas. The growing perception of the conjunction of public and personal problems in economic terms also clearly reflects this trend. Yet the causes of these "real" perceptions, in that they correspond to economic and political reality, are obscured by the illusion that the problem, and therefore the solution, is rooted mostly in national actors and not in the inequities of the world-economy. The *ineffectiveness* of state action can be compared to the notion of a fetish in that a part is used to explain the whole and the whole is therefore reduced to something it is not. By blaming crisis on local political actors, and specifically on the act of corruption, most Venezuelans fail to see crisis in the larger context of Venezuela's place in the world-economy. Appadurai (2000) refers to production fetishism as the illusion of local control, national productivity, and territorial sovereignty that obscures real control of production by transnational actors and production processes. Similarly, the product of corruption as an artifact of political culture obscures the real causes of inequality and poverty produced in the global playing field. The illusion of local agency obscures the real place of agency in global capital. The locality becomes a fetish that disguises global forces that actually drive the political economy.

NOTES

A random sample was not feasible as the postal system in Venezuela is highly

1. irregular, and other methods for collecting such a sample were extremely costly and time-consuming.
2. Universidad Simón Bolívar, Universidad Católica, Universidad Metropolitana, Universidad Central de Venezuela.
3. See table 1 online at <http://fbox.vt.edu/W/wdunaway/coker.htm>
4. See table 2 online at <http://fbox.vt.edu/W/wdunaway/coker.htm>
5. Ibid.

One reason for lack of significance in this relationship is that during 1997, 85

6. percent of the data came from the Universidad Metropolitana, which is a more conservative university than those represented in 1996 and 1998.

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Chapter 7

Integration of Central and Eastern Europe into the 21st Century World-Economy

Emanuela Todeva and Haico Ebbers

INTRODUCTION

The end of the Cold War and the rapid expansion and deepening of the global market in the late 1980s has created the concept of emerging markets. These are countries and regions in the world-system that have entered the global competition for mobile capital in order to finance their economic restructuring and industrial upgrading. The foreign direct investment (FDI) flow worldwide is a measure for the integration of these markets into the global economy. The literature on FDI in central and eastern Europe builds upon a tradition of studies on entry strategies and internationalization of firms' activities, beginning in the 1960s with the work by Vernon (1966), Kindleberger (1969), and Hymer (1976). Later on, emphasis in the literature was put on the nonequity interfirm cooperative agreements and the relationship between market structure and mode of entry within the framework of Buckley and Casson (1981) and Knickerbocker (1973). Subsequently, Dunning's eclectic approach (1992) stated that the propensity of enterprises to engage in international production would depend on three main factors: ownership-specific advantages, locational advantages, and internalization advantages referring primarily to Williamson's transaction costs theory (Williamson 1981). Hymer's idea about the uniqueness of a company's assets, incorporated in Dunning's ownership advantage, was also influenced by the technology-control theory of Buckley and Casson (1981).

In this broad theoretical context, studies on FDI in central and eastern Europe have focused attention mainly on different motives and forms of market entry, compared across the region. Unfortunately, results are based on limited comparisons and narrow data frame (Schoenberg 1998; Djarova 1999). There are also contradictory results regarding preferred entry mode (Smith and Rebne

1992; IMF 1995; Shama 1995; McCarthy and Puffer 1997). More important, there are no significant studies regarding the relationship between stages in transition and the structure of capital flow of a country—a task that we embraced in our work.

Our discussion on different types of foreign investment and foreign market entry, rooted in the internationalization theories, highlights some of the aspects of the relationship between FDI and economic growth. In this chapter we make a comparative analysis of the FDI inflow into the central and eastern European countries (CEEC) and look at the targeted sectors of the economy in the region, the source of the capital, and other FDI characteristics. We also take a broader view on the transition in central and eastern Europe and identify the current links and relationships between transition policies and FDI inflow. Our review of the inflow of capital between 1992 and 1998 reveals different periods of increase and decline, which suggests significant shift in drivers for FDI.

Our main research objectives are the following: (1) to identify more clear evidence of the relationship between stages in economic development during the transition and the flow of FDI; (2) to look at the effect of government intervention on FDI inflow, particularly the choices of privatization methods; (3) to analyze the variations in FDI inflow during different transition periods; and (4) to identify the country-specific characteristics of FDI. As part of our comparative analysis, we look at the sectoral differences in location of FDI between different countries in the region. The subsequent analysis of the data on FDI in central and eastern Europe develops strong country profiles. Finally, we compare the FDI flow in other emerging markets and reach some conclusions about the integration of different countries and regions into the global economy.

THEORIES OF INTERNATIONALIZATION AND GLOBALIZATION

Globalization is the acceleration in the process of worldwide economic integration due to a strong increase of international trade and direct foreign investments. Driving forces are the lowering of transport costs, the implementation of telecommunications and computer technology, and the deregulation and liberalization of trade and capital by national

governments. The impact of globalization on the local environment is subject to considerable debate. The two extreme versions are that globalization means the dissolution of national states and total American domination, on the one hand, and the view that globalization is nothing more than allowing international specialization to happen, on the other.

It is believed that one of the main triggers of recent globalizations has been the substantial capital accumulation and its internationalization in the 1970s, which facilitated corporations and business leaders from the advanced capitalist economies to establish a complex network of formal relations with one another for the purpose of multinational lending and cross-national interlocking direc-

torates (Mizruchi and Schwartz 1987). This view, however, is confronted by some cases of multinational corporations (MNCs) with a history of over 100 years, such as, for example, Tate and Lyle (in the sugar industry) and P and O (in sea transportation) registered in the United Kingdom.

Giovanni Arrighi (1999) provides an excellent account of the transformation of 18th century Dutch-led global financial intermediation, the disintegration of the British-centered global market at the beginning of the 20th century, and the reconstruction of the global market under U.S. leadership, particularly after World War II. The contemporary acceleration of the technological factor further enhances the conditions for standardization and international expansion of production, including formation of national and international strategic alliances, and the globalization of trade, investment, lending, borrowing, and financial intermediation practices.

The characteristics of the globalization are among the key drivers that force companies to look for alternative ways of gaining competitive advantage, particularly in the case of multinational corporations. Among these drivers are the tightening of competitive pressure on a global scale, the shorter product life cycle and rapid technological change, the emergence of new competitors, and the increase of the demand that global firms have for systemic solutions. The globalization of markets changes the nature of the operations of firms so that their strategic advantages no longer derive from their internal and external environment. Instead, firms must cooperate with other firms and governments to form business networks with suppliers and buyers in order to reap economies of scale and to share costs and benefits with partners in distant locations. Long-term strategies based on win-win scenarios enable them to leverage their outputs for a broader commercial application across different locations and market segments (Lorange and Roos 1993). According to Zajac's survey with chief executive officers (CEO)s of multinational companies, strategic alliances were considered a viable alternative to mergers and foreign market entry strategies by the majority of respondents (Zajac 1990).

The motives and drivers cumulatively explain the rapid increase of international strategic alliances in many production sectors of the global economy (car manufacturing, airlines, aircraft, tourism, telecommunications, computers, apparel, footwear, consumer durables, and others). The traditional global commodity chains, according to Gereffi (1990), are producer driven and comprise four segments: raw material supply network, production network, export network, and marketing network. Each of these segments, and the commodity chain as a whole, is composed of interlinked firms and represents an input-output structure, with spatial dispersion and concentration of units, and a governance structure, that is, the coordination of the entire production system (Gereffi 1994). The author also proposes a second governance form: a buyer-driven commodity chain, where the retail sector pulls and organizes the production process.

The traditional producer-driven commodity chain has more linear ties and is based on repetitive transactions and long-term contracts where the producers

resemble the push-factor that moves products toward the market. On the contrary, the buyer-driven commodity chain has multiple backward and forward linkages and resembles an alliance structure with complex logistics pulled by the retail sector with buyer-driven orders. The selection and inclusion of firms in such commodity chains is very much determined by the coordinator's side being the producers versus the buyers and depends on the industry context and the wider environmental constraints and opportunities faced by individual firms. The globalization of the chain increases the complexity and the economies of scale and scope for the formation.

The financing of these global commodity chains is based on mobile capital and is controlled to a greater extent by MNCs. The further expansion of global commodity chains is through FDI and foreign market entry. In the context of emerging markets for potential integration into the global economy, the beneficial effect of FDI on the host country is seen as the possibility to break the vicious cycle of underdevelopment due to low levels of productivity and the associated low wages. These low wages are known to lead to low levels of savings, which further lead to low levels of investment and perpetuate low levels of productivity. It is discussed in the literature that FDI can break this cycle by complementing local savings and by supplying more effective management, marketing, and technology to improve productivity (Moran 1999). The total effect, however, depends on the spillover effects to local firms. In general, under reasonable competitive conditions, FDI is expected to raise efficiency, expand output, and lead to higher economic growth. Evidence of the impact of FDI on the domestic transition economies in central and eastern Europe is given in the annual *Transition Reports* of the European Bank for Reconstruction and Development (EBRD). In Hungary, for example, figures for the late 1990s show above-average growth of output of foreign-owned companies. In 1998, output grew by 50 percent and productivity by 40 percent in a wide range of FDI-intensive sectors, such as machinery, vehicles, computers, telecommunications equipment, and electrical and electronic goods. Output and productivity in the manufacturing sector as a whole grew by

15 percent that year.

On the other hand, there are critical remarks in the literature about MNCs. Socially undesirable practices such as pollution, decline of employment, higher prices, and monopolization are seen as possible negative effects of FDI. An important criticism is related to the fact that in most economies MNC's operate in a very imperfect competitive domestic market. Instead of filling the gap between savings and investments, they may lower domestic savings and investment by extracting rents and crowding out domestic investors. They might drive domestic producers out of business, and the repatriation of profits might drain capital from the host country. This could be a danger for countries such as Hungary and Poland. They could become a two-tier economy: one prospering and predominantly foreign owned; the other locally owned, mostly struggling, and mainly consisting of small-and medium-sized enterprises. In reports of the European Bank for Reconstruction and Development (EBRD), there is evidence

that FDI has caused some distortions. Better salaries and working conditions in the foreign-owned companies have made it more difficult for local firms to compete for the best staff. In addition, the latter suffer from a lack of access to capital and have greater difficulty in arranging necessary technology transfers. In some cases (Romania and the Slovak Republic), local firms are excluded from some of the incentives offered to foreign investors.

The theoretical model of Globerman and Shapiro (1999) describes the contradictory relationship between economic growth, international trade flows, exchange rates, and capital inflow and outflow. The inflow of FDI—and related to this competition, transfer of technology, know-how, and management skills via forward and backward linkages—is expected to enable countries to recover from the transitional depression. In the context of CEEC, the growth in total factor productivity was positively correlated with import penetration ratios and negatively associated with sectoral concentration (EBRD) 1998a, 1999a). For the same period within the Russian context, a direct relation was found between measures of import competition and enterprise adjustment indicators, such as labor productivity and restructuring (Earle and Estrin 1997). The complex relationship between FDI, foreign trade, and economic growth is very much in the focus of Dunning and Narula's (1996) conceptual framework of the investment development path (IDP). In spite of its simplified assumptions, it outlines a model that can explain the outward and inward flow of capital in the early stages of globalization and the capital mobility related to global production.

INVESTMENT DEVELOPMENT PATH AND THE INTEGRATION PROCESS

Foreign direct investments can best be described as a long-term capital flow that is invested in a company abroad, by which the investor can exercise “some” influence on the management and the operations of the firm. According to the EBRD (1997a), FDI is the transfer by a firm of resources—including capital, technology, and personnel—into a foreign business venture with the objective of acquiring control of the venture. De Mello (1997) defines FDI as a form of international interfirm cooperation

including all nonequity agreements.

One of the latest developments in the internationalization theory in the 1990s is the investment development path framework (Dunning and Narula 1996). It describes relationships between the stage in economic development and the capital inflow and outflow. According to their theoretical framework, there are five stages through which countries' developmental process evolves in relation to the global capital flows. Countries that are at the first stage of development usually do not offer location-specific advantages with the exception of their natural resources as a main driver for FDI inflow. During this *first* stage of development, according to Dunning and Narula, both inward and outward investments are extremely limited. Dunning and Narula's expectations for the *second* stage of the IDP are that countries will attract inward investment in

primary commodities and natural resources, as well as offering opportunities for vertical integration in labor-intensive low technology and light manufacturing. However, the competitiveness of the local firms at this stage is still very low, and therefore the outflow of capital remains extremely low.

Stage *three* in Dunning and Narula's investment development path includes countries where a gradual decrease of inward FDI and increase of outward FDI are observed. According to the authors, these are countries where the technological capabilities encourage production of standardized goods, which could satisfy the needs of the global market. At stage *four* of the IDP there is abundance of capital, and the cost of capital is lower than the cost of labor, which leads to outward investment stock exceeding or being equal to the inward investment stock. Domestic firms will have an increasing propensity to engage in FDI rather than exports, and the role of government changes toward reducing transaction costs of economic activity and facilitating efficient markets. Finally, at stage *five* there is almost complete internalization of transaction costs within the MNCs, which resembles trade within hierarchies or cross-border cooperation between firms integrated in global chains or common governance structure.

The overview above gives the picture that inflow of FDI is based on the location-specific advantages of the country, while outward FDI is based on the competitiveness of the firm. This is in line with Dunning's previous work (1992). According to Dunning's eclectic approach (1992), overseas production occurs when three conditions are met. First, firms must possess certain ownership-specific advantages to counteract the advantage of indigenous firms. Second, there must be an advantage to internalize the business activities or advantages of hierarchical arrangements over market transactions. Third, the region of choice should have location-specific advantages. Only when these three closely related conditions are satisfied will a firm engage in international production. In many studies the interrelationship between these factors of the eclectic approach has been used to explain the different modes of entry. The essential point is to combine the ownership advantage (O) and

the internalization advantage (I), on the one hand, and the location advantage (L), on the other hand. In many cases firms find greater benefits in exploiting both O and L by internalization through FDI than via arm-length's transactions. The O, I, and L determining FDI and MNC activity may be likened to a three-legged stool: Each leg is supportive to the other, and the stool is only functional if the three legs are evenly balanced (Dunning 1998). With different O, I, and L advantages, the characteristics of FDI differ per country.

GOVERNMENT POLICIES AND INTEGRATION INTO THE WORLD-ECONOMY

Before we engage in a discussion of the transition policies launched after 1989 and their effect on FDI, we would like to stress that governments in the region had a long experience with economic reforms of various kinds. A number

of reform policies were experimented with during the 1970s and the 1980s within the old central planning system, such as changes in the number and the type of plan indicators; price reforms and greater freedom to enterprises to set prices in response to market forces; changes in investment regulations; relaxation of controls over foreign trade activities; greater freedom for the banking sector; greater tolerance for the small-scale private sector; and a bonus system for workers and managers (Ebbers 1997:172).

All these policies failed to improve productivity levels and to facilitate more efficient allocation of resources. The ultimate purpose of the transition process in central and eastern Europe after 1989 has always been to bring these countries in line with the global economy. In order to close the enormous gap in efficiency and productivity, two means were selected. These were (1) changes in the property rights structure and the corporate governance mechanisms and (2) changes of regulatory policies toward liberalization of trade, prices, and forms of conducting economic activities. The transition also included macroeconomic stabilization, change in the role of government in the policymaking process, financial reform, and the creation of new financial institutions.

The attempts of national governments to achieve a balance between externally recommended policies and the specific conditions of the economy have led to the wide variety of national transition programs, privatization frameworks, and other policy initiatives that aimed to speed up the process of restructuring of the economy and to attract FDI. The scale of government intervention was determined not only by the institutional structure, inherited from the central planning period, but also by the fact that transition reforms were top-down led. This had a particularly restrictive effect on the internationalization of local firms and the scope for internalization of ownership-specific advantages by foreign investors. This clearly places the central and eastern European countries in the very initial stage of IDP. (Table 7.1).

Simultaneously, the countries from central and eastern Europe exhibit features that place them in the second stage of the IDP. The inward direct

investment was encouraged by the range of liberalization policies (Estrin 1994; Bartholdy 1995), and the chronic deficit in many sectors of their economies (Kornai 1997). According to recent empirical findings, these countries have the majority of investors' projects in the field of distribution and local market supply (Lankes and Venables 1996; EBRD 1998b). The predominant forms of FDI for this stage of development are joint ventures, motivated by market access, low production costs, and the higher uncertainty of the environment, and this is confirmed by a range of empirical investigations in central and eastern Europe (Smith and Rebne 1992; Shama 1995; McCarthy and Puffer 1997). This is reflected also in the large number of postponed or abandoned projects (Dunning and Narula 1996; Lankes and Venables 1996).

Obviously, the location-specific advantages in CEEC are raised by the liberalization of trade and prices in the wider region. Our research shows that the targeted industries for FDI inflow are manufacturing of moderately knowledge-

Table 7.1

Location of Central and Eastern European Countries at the Investment Development Path

FDI Characteristics

Stage 1

Stage 2

Stage 3

Stage 4

Stage 5

FDI inflow

Low

Increasing

Stabilizing

High levels Intracompany inflow/outflow of capital and within alliances

FDI outflow

Absent

Emerging

Marginal

increase

Rapid increase

Sectoral composition

Natural resources intensive sectors	Labor- intensive sectors	Capital- and technology- intensive sectors	All sectors including capital- intensive ones	All sectors including cross-sectoral investments
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Form of FDI

Non-equity-based FDI

Joint ventures	Equity-based partnerships with domestic firms and wholly owned enterprises	All forms including complex multinational partnerships and alliances	Complete internationalization of transaction costs, cross-border alliances between firms integrated in global chains or common governance
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Government policy related to FDI	Attracting FDI in order to solve market failure	Attracting FDI in more valueadded activities	More market-focused government policies reducing direct incentives for foreign investors	Stable and mature legislative framework for FDI, reducing transaction costs and facilitating efficient markets	Further weakening of government interventions, attempts for a global coordination
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intensive consumer goods and support industries. On the other hand, the theoretical expectations of Dunning and Narula are that outward direct investment would emerge particularly of the trade-related type. However, this trend was not exhibited in the CEEC as governments did not engage the so-called push factors, such as export subsidies and technology development and acquisition. Due to severe budget constraints, governments in the region froze investment policies (Kornai 1997).

Stage three of the IDP could also be attributed to the process of integration of CEEC, where the extensive industrialization during the central planning period developed capabilities for mass production of standardized goods. An additional factor that places the region in this category is the governments' attempts to attract inward FDI to particular sectors of their economy, where the ownership advantages of the enterprises are the weakest and the comparative advantages of location-bound assets are the strongest. The more typical form of FDI at this stage is expected to be a wholly owned subsidiary, and the investor's motives are expected to be efficiency seeking, rather than export-substituting production. The low labor costs and the highly educated labor force in the region certainly account for enhancing efficiency for the investors. The privatization also encouraged wholly owned subsidiary operations through green-field investments and acquisitions.

Although wages and wages per unit are, on average, relatively low in Hungary and Poland there are indications that closer to the border with Western countries labor costs tend to rise relatively quickly. Anecdotal proof of this are the announcements of two electronics manufacturers that shifted some production out of Hungary in 2000, suggesting that a shakeout in low-end assembly work has begun. Germany's Mannesmann AG announced relocating a car audio plant from Hungary to China, resulting in a loss of more than 1,000 jobs. A division of Japan's Shinwa followed, moving its car radio assembly plant to China for a 25 percent savings on labor costs. Shinwa executives have said the company will continue to invest in Hungary, but only in more automated processes. These are examples of changes in the location-specific advantages, away from labor-intensive production toward more capital-intensive

production.

What is missing in the central and eastern European countries' characteristics, projected to be at this stage of IDP, is the increase of outward investment, both as market seeking and as an export platform. Only in the more advanced countries, such as Hungary, Poland, and the Czech Republic, have an increasing number of firms invested in neighboring countries. For example, in the Czech Republic the outflow of FDI was U.S.\$197 million in 1999 (EBRD 2000b). What we don't see as well is the erosion of ownership advantages to foreign firms due to the increased competitiveness of the domestic firms. Therefore, the theoretical expectations for the region suggest that countries are positioned simultaneously within the first three stages of the IDP. This position was particularly encouraged by government policies, aiming more at the irreversibility of the transition and macroeconomic stabilization rather than at an evolution toward

a market economy through liberalization and innovation activities that lead to economic growth (Murrell 1992).

THE STRUCTURE OF FOREIGN DIRECT INVESTMENTS

Research makes clear that the overwhelming motive to enter the central and eastern European markets is the market itself and the market potential. Therefore, we may assume a strong relationship between economic growth in a country and the inflow of FDI. This relationship, however, is difficult to prove. On the one hand, there are examples of where high-growth periods go hand in hand with increasing FDI inflow (like in Poland during the 1995–1998 period), but there are also examples where FDI inflow was strongly increasing despite negative growth (Bulgaria and Romania in 1997). De Mello (1997) indicates in his study that the direction of causation between FDI and economic growth depends on factor endowments and scale effects. That seems logical as larger economies (in terms of economic power) are more attractive than smaller ones. It is interesting to note that our correlation calculations, given in Table 7.3, do not support a strong relationship between the total FDI and economic growth, as the data shows a relatively low correlation coefficient for the period 1990–1997.

The reasons that can be given to explain this low correlation are the following: The economic development in the mother country may change; statistical errors are possible; or the legislation in the host countries could have been changed. The privatization process overall is not highly correlated with economic performance in the short term. One may even assume that a wave of privatization is negatively correlated with economic development due to increased uncertainties and transformation costs. Privatization is implemented in a period of low economic growth, and in the short term it is expected to have a negative impact on domestic production. From this perspective, in our data analysis we divided the FDI inflow into “privatization-related FDI” and “nonprivatization-related FDI.” The reasons for this division are the possibilities for ownership of existing assets, created by specific privatization methods, and the instability of FDI inflow into the region after 1995. The relationship between nonprivatization-related investments and

economic growth demonstrates much stronger correlation, shown on the right-hand side of Table 7.2. The figure for nonprivatization-related FDI derives from our calculations of greenfield investments for the entire period.

During the 1990–1994 period, privatization was the most important factor attracting FDI. The share of FDI from privatization in the total FDI for central and eastern Europe as a whole was 67 percent (*World Investment Report* 1994). If one compares this with other developing countries, the region should be considered as totally different from the rest. FDI from privatization was relatively high, with a share of 14 percent of total FDI only in Latin America and the Caribbean. In other developing countries the privatization share was negligible.

Table 7.2**Correlation Coefficients, Economic Development, and FDI in Central and Eastern Europe, 1990–1998**

Country	Total FDI	Nonprivatization-related FDI
Bulgaria	0.27	0.64
Czech Republic	0.49	0.85
Hungary	0.28	0.70
Poland	0.75	0.87
Romania	0.74	0.71
Slovak Republic	0.47	0.70

Source: All data for the calculations derive from EBRD *Transition Reports*.

The three largest recipients of FDI were Hungary, Poland, and the Czech Republic (see Table 7.3). These countries were among the first to implement privatization programs. In addition, the economic growth within the European Union (EU) was an important factor and the proximity of the central and eastern European countries a beneficiary. Besides market potential, the motive of low production costs was also important in the

early 1990s in order to penetrate the region. Despite the impressive numbers, it should be noted that during these years the figures are heavily influenced by some large investment transactions. Slovakia, Romania, and Bulgaria attracted virtually no foreign investment during the early 1990s.

About half of FDI between 1990 and 1995 went to Hungary, Poland, and the Czech Republic through privatization. A foreigner-friendly privatization policy was an efficient way to bring foreign investors into these countries. A low sale price and a significant market share of former state-owned enterprises were the major incentives for foreign investors to acquire a firm in central and eastern Europe. The second period of 1995–1998 gives another ambiguous picture. Having remained stable in 1994, the inflow of FDI to the region increased dramatically in 1995 and declined in 1996. This can be explained by the fact that in some countries privatization was not the driving force behind FDI inflow anymore. The economic recovery and the stability of the transition environment was the main attraction to foreign investors. The increase in 1995 is therefore mostly attributed to the increase in economic growth, the relatively optimistic forecasts, and the activities of the new capital markets in the region, which marks the end of the privatization-related FDI for most of the countries. Finally, a significant part of the increase of FDI in 1995 is attributable to mergers and acquisition activities. Research makes clear that there is a strong correlation between aggregate value of cross-border mergers and acquisitions and the growth of FDI flows (*World Investment Report* 1996). The stagnant inflow of direct invest-

Table 7.3**Foreign Direct Investments in Central and Eastern Europe, 1990–1998 (in millions of U.S. dollars)**

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998
Bulgaria	4	50	46	60	115	90	110	500	540
Czech Republic				630	860	2,550	1,420	1,300	2,640
Hungary	340	1,530	1,620	2,420	1,200	4,500	2,000	2,100	1,450
Poland	85	250	650	1,400	1,400	2,350	4,500	4,800	4,970
Romania	25	50	85	95	360	410	260	1,200	2,040
Slovak Republic				185	195	195	210	190	370
Total	454	1,880	2,401	4,790	4,130	10,095	8,500	10,090	12,010

Sources: Calculated on the basis of *World Investment Reports* (1990–1998); EBRD (1992a–1999a); and United Nations (1990–1997).

ments in 1994 and the decline in 1996 reflects the problems related to

transition toward a market economy and is also partly influenced by the economic recession of the countries in western Europe.

Behind the marginal decline in FDI inflow to the region for 1994 also stands the dramatic reduction of FDI inflow to Hungary. A partial explanation of this fact is the abolishment of tax incentives by the Hungarian government, especially oriented toward enterprises with foreign participation. Subsequently, in early 1995 as a response to the decline from the previous year, the Hungarian government made the commitment to go back to offering automatic tax breaks. This change in policy, combined with several large infrastructural privatization deals of utilities and telecommunications, resulted in a record-high FDI inflow in 1995. The subsequent fall in 1996 is attributed to the overall decline of the privatization-related FDI (*World Investment Report 1998*).

The Czech Republic did not attract much FDI early in the transformation process, as there was no specific incentive package for foreign investors. The dramatic increase of FDI in 1995 is partly explained by the *Telsource* investment in *SPT Telecom* that took place in 1995. In general the declining inflow of FDI from 1996 onward increased the pressure on the Czech government to implement an incentives package in April 1998. The rather disappointing development in the Slovak Republic is due to the government policy to implement privatization schemes, which does not allow direct participation of foreign investors.

The data in Table 7.3 also show that especially high growth rates of FDI inflow can be seen in Bulgaria and Romania in 1997. In both cases this growth was due to the sale of stakes in several large enterprises, combined with external factors, such as introduction of a currency board in Bulgaria in 1996 and the membership of Romania in the Central European Free Trade Agreement (CEFTA) in 1997. In Bulgaria and Romania, the share of privatization-related

FDI is very high. Different sources give different figures, but the general view is that privatization accounted for approximately 65 percent of total FDI inflow in both countries between 1996 and 1997 (EBRD 1997a, 1998a; *World Investment Report* 1998). Despite the fact that there is a wide range of factors influencing FDI flows, the main stimulus during the period after 1997 is the degree to which the countries have made progress in their restructuring of the institutional framework, equivalent to the modern market-based economies. This is certainly the case of countries such as Poland, Hungary, and the Czech Republic, where capital markets facilitate more portfolio investments.

The above overview points also to the role of legislation to attract FDI. Within the region many steps were taken to increase the investment climate for foreigners. First, in most countries, special economic zones were developed. Companies setting up business in special economic zones in the Slovak Republic are eligible for a range of incentives, including exemption from corporate income tax for a period of up to ten years, free repatriation of company profits, and accelerated depreciation. In Hungary, government-funded development of more than 100 industrial parks across the country has proved attractive to companies such as Flextronics, IBM, Jabil Circuit, and Philips. Second, government incentives in the field of taxation proved to be effective. Corporate profit tax in Hungary is a reasonable 18 percent, but tax holidays lower that figure considerably. A \$4 million investment brings a 50 percent tax reduction for five years, and a \$40 million investment means a 100 percent tax break for ten years. Corporate tax in the Czech Republic was reduced to 31 percent in 2000. Tax on the redistribution of profits has also dropped, from 25 percent to 15 percent. The minimum investment needed to qualify for the incentives has been reduced to \$5 million in 2000, if the investment is made in areas where unemployment is relatively high.

In terms of the total FDI inflow, Poland has received the largest share for the region. In terms of per capita FDI, however, this is certainly not the case. Poland ranks number three, with Hungary and the Czech Republic taking the first and second places. Hungary's economy is heavily affected

by foreign investments. FDI inflow over gross domestic product (GDP) in 1995 was 10 percent, and the FDI stock as a percentage of GDP until 1998 was more than 38 percent. This indicates the relative attractiveness of the country and is much higher than the figures for other countries in the region. Hungary is among the leading FDI recipients worldwide. The Czech Republic has more than the world average, while Poland, Bulgaria, Romania, and the Slovak Republic are (far) below the world average of 12 to 15 percent. At the end of 1997, enterprises with foreign capital controlled more than 60 percent of manufacturing output in Hungary. In 1998, companies with foreign participation accounted for 70 percent of the total Hungarian export and employed more than 20 percent of the labor force (EBRD data). According to the *World Investment Report* (1999), the share of foreign-owned companies in total employment in Hungary for 1997 was even higher—40 percent—with its share in total export reaching 82 percent. In 2000,

the share of foreign ownership in the Hungarian banking sector was about 67 percent. Most of the foreign owners are EU-based banks. These are very high percentages compared with the Czech Republic, Poland, and the Slovak Republic.

Table 7.4 gives information about the sectoral division of the FDI inflow in the countries under investigation between 1990 and 1997 and the country of origin of the investors. These data show that there is an increasing geographical diversification with respect to FDI inflow. Although most of the FDI inflow is still concentrated, the dominance of the top receivers is gradually eroding between 1990 and 1997. The general trend of the sectoral division of FDI inflow in the 1990s throughout the region is the increasing share of the tertiary sector at the expense of the manufacturing sector. In the Czech Republic, for example, from the cumulative FDI inflow between 1990 and 1994, more than 59 percent was allocated to manufacturing. Within five years this figure dropped to 33 percent. In 1999, 23 percent of total FDI was allocated in the banking and insurance sectors. Food processing and construction are two industrial sectors where the relative position of FDI declined. Despite the Czechs' attempts to attract more high-technology investments, the highest share of FDI remains in the automotive industry. The primary sector (agriculture, forestry, fishing, mining, and petroleum) has received only a minor share of FDI throughout the region. This does not mean that there is an absence of natural endowments; it indicates the political resistance to allow foreign companies to take a monopoly industry. Furthermore, environmental problems could explain the low FDI inflow in this sector.

Bulgaria saw the same developments. In the early 1990s more than 65 percent of FDI was allocated in the manufacturing sector. Despite the large share of investment in machinery and electronics, the relative position of this product group declined throughout the period. In Hungary, about 50 percent of total FDI between 1990 and 1994 went into manufacturing. The overwhelming importance of food processing (in manufacturing) and transport and communication (in the tertiary sector) declined in Hungary during the last few years. Increasing importance can

be seen in the financial services and high-tech sector. Many toptier companies such as IBM, Jabil Circuit, Samsung Electronics, SCI Systems, and Vishay Intertechnology run robust manufacturing operations in the country and export products throughout Europe. In general, one may conclude that relatively little investment was channeled into labor-intensive sectors such as textiles and consumer electronics.

The distribution of FDI by economic activities reflects the opening up of individual sectors to foreign investment and specific targets set by the government. Between 1990 and 1994, most FDI went into trade and manufacturing, with financial sectors and then telecommunications catching up later. In countries where new sectors have been opened to foreign investment through the advance of privatization, the share of manufacturing has declined to 40 percent. The most notable cases were telecommunications in the Czech Republic and the

Table 7.4

Sectoral Allocation of the FDI Stock and Main Investors in Central and Eastern Europe, 1990–1997

Country

Sectors Main Investors (stock)

Bulgaria Manufacturing (50%), tertiary sector (47%), primary sector (3%) Within manufacturing: food processing 18%, electro-machinery 21%, chemicals 7%

Within tertiary sector: financial intermediation 11%, trade 15%
transport 9%, telecommunication 3%, tourism 6%

Germany

Netherlands

Switzerland

United Kingdom

United States

Greece	33%
	10%
	8%
	6%
	6%
	6%

Czech Republic Manufacturing (45%), tertiary sector (54%), primary sector (1%)
 Within manufacturing: electro-machinery 14%, food processing 12%,
 chemicals 7%, light industry 7%

Within tertiary sector: transporttelecommunication 16%, financial
 intermediation 11%, wholesale distribution 10%, construction 6%

Germany

Netherlands

United States

Switzerland

France

United Kingdom	27%
	13%
	13%
	10%
	8%
	7%

Hungary Manufacturing (38%), tertiary sector (60%), primary sector (2%)
 Within manufacturing: food processing 10%, electro-machinery 14%,
 chemicals 7%, wood-paper-textiles 3%

Within tertiary sector: energy-utilities (electricity-water distribution)
 12%, distribution 12%, financial intermediation 10%,
 transporttelecommunication 8%, real estate 8%, construction 4%

Germany

United States

France

Austria

Netherlands

31%

18%

11%

Italy

10%

4%

4%

Poland Manufacturing (60%), tertiary sector (38%), primary sector (2%) Within manufacturing: food processing 21%, electro-machinery 17%, mineral 6%, chemicals 5%, wood-paper 5%

Within tertiary sector: financial intermediation 20% distribution 7%, construction 5% trade 4% telecommunication 1%

United States

Germany

Italy

France

Netherlands

United Kingdom	22%
	13%
	9%
	8%
	8%
	7%

Romania Manufacturing (55%), tertiary sector (37%), primary sector (8%)
 Within manufacturing: food processing 15%, electro-machinery 15%, mineral 5%, chemicals 5%, light industry 5%

Within tertiary sector: distribution 14%, financial intermediation 6%, transporttelecommunication 4%, tourism 4%

France

United States

Germany

Italy

Netherlands

United Kingdom 9%

9%

8%

8%

7%

5%

Slovak Republic Manufacturing (45%), tertiary sector (53%), primary sector (2%)
Within tertiary sector: distribution and trade 33%, financial intermediation 15%, tourism 2%, construction 1%, transporttelecommunication 1%

Austria

Germany

Czech Republic

United States

United Kingdom

Netherlands	21%
	18%
	16%
	11%
	7%
	6%

Notes: Adjustments were made to account for unspecified sectoral and industrial distribution. The Sectors column represents the percentage of total FDI stock until December 1997. Identification of the nationalities of investors is complicated by the dual nationalities of many companies and organizations.

Sources: Calculated using *World Investment Reports* (1990–1998); EBRD (1992a–1997a); United Nations (1990–1998); Business Central Europe Data, Eurobusiness (1993–1998); *The Economist* Intelligence Unit (1996); OECD (1990–1998); National Statistical Departments; the UNCTAD database; and Andreff (1999).

gas and energy sectors in Hungary. The highest share of FDI in manufacturing has been registered in Poland, where trade was privatized to domestic investors, and utilities were not privatized until 2000. With respect to sectoral targets, the Slovak government has pointed out in 1999 as priority fields for foreign investments the engineering industries (chiefly car production and steel), information technology and the electronics, telecommunications, energy sectors, and tourism.

Among the main investors in the region, western European MNCs dominate the picture of FDI flow, followed by American companies and the Asian newly industrializing countries. There are, however, differences between countries. The relatively large share of the U.S. FDI in Poland, for example, is due to massive investments from General Motors, PepsiCo, Pol-Amer. Ent. Fund, IPC, Philip Morris, Citibank, and Coca Cola. Considering the CEFTA region, Germany had the largest share of FDI stock until 1996, followed by the United States, France, Austria, the Netherlands, and Italy. The German share, however, has strongly declined during the last years. Between 1991 and 1994 the German share was more than 42 percent, compared with just above 20 percent in 1997. At the end of 1997, more than 70 percent of capital in Poland was from five countries: the United States, Germany, the Netherlands, France, and Italy. This concentration of investors can be seen more or less throughout the whole region. International financial institutions (such as the EBRD) also invested heavily in Poland. The ranking with respect to the number of investors is slightly different than the value-share in total FDI. German investors are most active, followed by the American and the Italian companies.

There are interesting differences in FDI flow in 1997 compared to the early 1990s. While in the early 1990s Polish FDI inflow mainly originated from Polish expatriates and created pressure on the trade balance, now the inflow comes from the main MNCs and in general decreased the trade deficit. This can partly be explained by the increasing use of domestic suppliers. Foreign affiliates are also beginning to play a role in decreasing the trade deficits in the Czech Republic and Hungary. This feature is visible not only in consumer and light industry but also in car

manufacturing. A specific characteristic of Bulgarian FDI inflow is the overwhelming presence of German-based companies. More than 30 percent of total FDI inflow originates from Germany.

The geographical proximity factor is also observed in the FDI flow toward central and eastern Europe. Austria and Germany are important investors in Hungary, the Czech Republic, and the Slovak Republic, while in Bulgaria an important share of FDI originates from Greece. Romania does not have a border with EU members, and FDI is widely distributed between the United States, the EU countries, and Korea. It should be stressed that the role of geographical proximity is more evident in the number of projects rather than in the total capital flow due to the fact that particularly for small investors proximity is important. Another important conclusion about the data in Table 7.4 is that the region is not homogeneous. There were large differences during the communist

Table 7.5**FDI Inflows and Outflows per Capita in Central and Eastern Europe**

Regions	Inflows		Outflows	
	1995	1998	1995	1998
European Union	310.9	614.7	431.7	1,032.1
United States	220.0	706.4	344.7	485.2
Japan	0.3	25.3	180.9	191.8
Other developed countries	286.6	257.9	161.6	307.3
Africa	6.1	35.4	0.7	0.7
Latin America	69.7	144.8	16.0	31.2
South, East, and Southeast Asia	22.2	24.6	14.9	10.9
Central and Eastern Europe	42.3	52.2	1.4	5.7
World	58.0	108.9	63.2	109.7

Source: Adapted from World Investment Report (1999:21).

era, and these differences increased after the start of the transition. There are distinctive country profiles, which is evidence for the presence of separate and distinct markets within the region.

On a global scale the comparison of the FDI inflow per capita shows that although the figure for central and eastern Europe is close to the world average for 1995, it is only half of the world average for 1998 (Table 7.5). The main reason for that is the financial crises in Russia and the constraints on merger and acquisition activities, which seems to be the driving force behind the FDI flow between the EU and the United States. The extremely low level of outward capital mobility is once more an indication of the peripheral role of the region in relation to the global economy. The most significant results in this figure are the threefold increase of outflow from the EU; the twofold increase of outflow from other developed countries, such as Australia, Canada, and Norway, and the threefold increase of inflow of capital to the United States. In this context the total share of FDI inflow into the United States for 1998 represents 30 percent of the global capital mobility, with the EU representing 37 percent and central and eastern Europe only 2.7 percent. The proportion of FDI inflow to Southeast Asia due to the crises in 1997 has dropped from 20 percent in 1995 to 12 percent in 1998.

CONCLUSIONS

This chapter emphasizes the linkage between globalization, transition policies, and the inflow of FDI into central and eastern Europe as a measure of its integration into the global economy. Some fall in economic output was expected

as a consequence of the shift from central planning to a market system. Policies to restrict aggregate demand, in combination with rigidities on the supply side, are known to reduce output, and a short recession was therefore unavoidable. But the output in the region declined much more than expected due to factors such as the collapse of the Community for Mutual Economic Assistance (CMEA) and the absence of a legal framework to support contract enforcement.

A main issue in the transition period was privatization. The expectation was that privatization could create an environment in which market forces determine the actions of a private sector and provide a mechanism for effective outside control over enterprise management. This was also expected to stimulate innovation and to attract foreign capital. Privatization was the most important factor attracting FDI in the early 1990s but declined gradually after 1995. The drop of FDI in 1996 was partly attributable to the reduction in privatization-related investments, and consequently the development of the real economy became the main driving force. An important advantage of the reduction of privatization-related investments is that capital flows have become less volatile and dependent on one or two large transactions than in the early years of transition.

Besides the reduction in privatization-related investments, there is another important development—the trend of increasing share of investments in the tertiary sector. The proportion of FDI in the tertiary sector for the whole region is between 37 percent—for Romania, and 60 percent—for Hungary. These results make it difficult to position the central and eastern European countries within the IDP framework. First, our analysis fully supports the conclusion that individual countries are highly idiosyncratic in their relationship with foreign capital (Lall 1996) and that the volume of FDI to central and eastern European countries is encouraged by short-term policies (such as privatization), long-term endowments (such as market size in Poland and natural resources in Romania), and direct policy incentives (such as the 1997 legislation package in the Czech Republic). Second, our analysis shows that the first three stages of the IDP, while theoretically clearly distinguished,

empirically cannot be used for comparative regional analysis.

The sectoral preferences are also difficult to explain within the IDP framework. The relative balance between FDI in manufacturing and in the tertiary sector shows that country attractiveness includes a wide range of value-added activities. The reverse results for Poland and Hungary (manufacturing versus services—60/40 percent for the former, and 40/60 percent for the latter) are better explained by the choice of different privatization methods (i.e., financial intermediaries), rather than a systematic relationship between economic development and FDI flow.

Finally, our analysis confirms that there is no distinctive regional profile of FDI, and the inflow of foreign investment has been specific to each country, with significant variations in modes of entry and variations between sectors of the economy. International investors in eastern Europe are increasingly analyzing specific countries rather than grouping all the region's emerging economies

together. Market performance varies widely, and investors are starting to differentiate between countries. The regional distribution of FDI within the global economy shows relatively high levels of FDI inflow for central and eastern Europe, which is a measurement for its globalization and integration with the global economy. This process, however, remains peripheral, compared with the flow of capital between the European Union and the United States, which has increased two-to threefold for the period 1995–1998.

As a result of intensive FDI inflow, countries in central and eastern Europe have become increasingly dependent in the performance of foreign affiliates in their territory. Reduced sovereignty of national economic policies could be the result of foreign penetration. An economy dominated by foreign subsidiaries is constrained in its choice of development targets and trade-related aspects. Furthermore, for maintaining its position as an important host country for FDI, a country must constantly upgrade its international attractiveness as a location for production and spending incomes. Finding the optimum way to combine the advantages of FDI inflow with the internal objectives of sustainable welfare and social stability is the challenge for the governments in central and eastern Europe in the 21st century.

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Chapter 8

Rethinking Racially Depreciated Labor: Puerto Ricans under Global Neoliberalism

Kelvin Santiago-Valles

INTRODUCTION

In the historical long term, a necessary relationship materialized between the organization of the capitalist world-economy and the racial—that is, colonial—configuration of most of the labor this system has been based on since the first era of globalization during the long 16th century. As Quijano and Wallerstein (1992:550–551) argued almost a decade ago, coloniality “delineated the social boundaries corresponding to the division of labor” globally: Although “the forms of labour control and the names of the ethnic[-racial] categories” have changed in the last two centuries, the ethnic-racial hierarchy of world labor has remained.

Caveat 1. I am not equating “colonial” here with the absence of a nation–state “of one’s own.” What makes any situation *colonial* and any population *colonized* (i.e., racially subordinate, peripheral—laborers in particular, outside or within the geographical core itself) are the degraded forms of social embodiment¹ and other substandard social conditions whose mode of consumption (e.g., provisions in kind, “traditional” subsistence, and/or capitalist social norm) are not reflected in their/our formal sources of physical and mental sustenance, especially within the context of wage labor (Aglietta 1979:80–81, 170–173). For the overwhelming majority of Puerto Ricans (in the Island and in the United States), such inequalities have been historically documented with respect to lower earnings, second-rate education, inadequate food intake, poorer health conditions, inferior housing, and higher unemployment levels vis-à-vis those of the racially normative populations (USCRC 1976; USDC 1979, vol. 1:313, 353–355, 705–708; Rodríguez 1991; Santiago-Valles 1994; Colón-Warren 1997). Within the late 20th century context of Saskia Sassen (1988, 1991, 1998; also Sassen-Koob 1982), I am expanding Quijano’s conception of the racial

configuration of global labor to describe not only the racialized yet interlinked polarization *between* wage labor and the various forms of nonwage labor but also the racialized asymmetries *within* wage labor (i.e., its different modalities).

Caveat 2. Since at least the late 19th century, coercion has played a long-term and no less racialized role in maintaining such imbalances between racially subordinate and racially normative populations. Albeit referencing “levying violence” (Foucault 1979:219), my argument here is contrary to Foucault’s (220–221) (Occidental) claims that such coercions universally “fell into disuse and were superseded by a subtle, calculated technology of subjection.” As a historical trend, physical extortion on the part of capital and the state (and their social agents) continues to mark the quotidian existence of colonized laboring populations. This is what finally guarantees the *depreciated* character of racially subordinate labor, regardless of whether such labor is manual or intellectual, unskilled or highly credentialed.

Caveat 3. This chapter also outlines the contours of another historical conjuncture: namely, the ten-, twenty-, or fifty-year racial regimes that unfold within a global racial *longue durée* (Winant 1994:21). This is what Sylvia Wynter (1990:359) has called “the model of *physiognomic* difference” emerging in the 16th century and whose “*somatic mode...* would function from the early nineteenth century onwards as the *primary* ‘totemic operator’ of the principle of Sameness and Difference about which our present global and now purely secular order auto-regulates its socio-systemic hierarchies, including those of gender, class, sexual preference, [and] culture” (emphasis in the original).

As I will try to show briefly regarding Puerto Rican laborers, racial regimes combine conflicting aspects of mental frameworks, political institutionalities, and structures of embodiment constituting—as natural, in the final analysis—allegedly nonreproductive physiologies: In this sense, racial regimes consolidate and reference both “orders of *knowledge*” and “orders of *being*” (Wynter 2000).² Such racial conjunctures appear to “have all their own rhythm of life and

growth”(Braudel 1972:16): that is, they should not be automatically nor simplistically subsumed under the patterns of economic cycles, nor under any single world-systemic structure of knowledge.

During the period that—with Frezzo (2000) and Arrighi (1994:308)—I am calling Global Keynesianism (1945 to early 1970s), Puerto Ricans (increasingly distributed between the Island and the United States) were being relocated as part of the United States’s—not just Atlantic—but truly global reserve of racially depreciated labor. This was also the period when, mirroring its western European counterparts and in response to subaltern pressures, U.S. attempts to reform colonial rule from within eventually led to the breakdown of direct rule over the so-called lesser races and “subject peoples,” eventually culminating in the asymmetrical generalization of indirect rule³ among colonized communities inside the United States and in overseas U.S. territories and neocolonies.

At this time and similar to racially subordinate labor in the U.S. South (Wright

1986:239–249), Boricua (i.e., Puerto Rican) laborers were primarily concentrated within an archipelago of light, labor-intensive, and export-oriented industries stretching from the highlands of Puerto Rico to the large urban centers in the U.S. Northeast. These industries were primarily subsidiaries of U.S. corporations corresponding to sectors (e.g., apparel and food-processing) undergoing capital accumulation difficulties within the more economically “advanced” U.S. regions and that were desperately in need of large masses of cheaper labor (Perloff 1950:60; Vernon and Hoover 1959:65). Likewise, the accretion of the local public administration network (in order to plan and manage the Keynesian industrialization and poverty-relief programs) was predicated on a corollary expansion of the “native” middle strata (Reynolds and Gregory 1965:117–138). This bifurcation in the Puerto Rican labor force resulted in the principally working-class composition of the external migratory circuits: that is, most of this growing intellectual/ managerial “native” minority remained on the Island, while the laboring-poor majorities were being displaced between the Caribbean and the United States (History Task Force 1979:145–147, 159).

The principal features of Global Keynesianism have been summarized already by Silver and Slater (1999:204–210). In core spaces, this meant state-led planning, as well as regional economic integration and trade liberalization; for the racially dominant sectors of the labor force this translated into “cooptation of the ‘responsible’ elements of the labor movement through institutional reform and mass consumption... supplemented by repression of the ‘irresponsible’ elements” being enabled by the world spread of the U.S. corporate model. Global Keynesianism among peripheral populations meant developmentalist projects aimed at appeasing and regulating these same populations while increasing capital accumulation on a world scale via “appropriate” investment climates. As Hirschman (1995:144)⁴ has observed, such policies and historical structures “drew a sharp distinction between the economic mechanisms ruling in a fully employed economy and those applying in an economy where manpower, capital, and other resources are under-employed.”

This is the arrangement that began to shift as a result of the downward turn in the systemic cycle of accumulation since the early 1970s, giving rise to what—again with Frezzo (2000)—I am calling Global Neoliberalism. Its principal features have also been outlined by Silver and Slater (1999:213–216): Although regional economic integration and trade liberalization have continued and state-led planning has not fully disappeared, now there is a more intense competition for mobile capital and an enormous polarization of wealth via greater privatization; within core spaces this has connoted the uneven dismantling of the welfare state's social wage, while jettisoning development programs for peripheral populations. Not surprisingly, racially depreciated laborers inside and outside the geographical core have been one of the main targets of these structural adjustments on a world scale.

SECTORIAL DECLINE AND URBAN FISCAL CRISIS

As with other racially depreciated workers worldwide, by the early 1970s the Puerto Rican laboring majorities were among the sectors most deeply affected by the long-term slump in the world-systemic cycle of accumulation then beginning to make itself manifest across the entire U.S. economy (Arrighi 1994:300–313) that, since 1898–1900, included Puerto Rico. Traditional manufacturing—especially the declining light industries most dependent on cheap, lesserskilled labor—began being reorganized and/or replaced according to the logic of Neo-Fordism and Post-Fordism, generating a much more dense and wider network of increasingly capital-intensive plants, expanded high-tech coordination centers, and downgraded manufacturing enterprises (Lipietz 1987; Benson Arias 1996, 1997).

This relative business growth and transformation spatially and economically overlapped with a parallel accretion of the so-called informal economy and other illegal practices both on the part of capital (e.g., sweatshops) and as a continuation of subaltern “refusals from below” (Braudel 1992a: 29) setting limits to capital during the height of Global Keynesianism: for example, the clandestine lottery or *bolita*, on-the-job pilfering, social violence, illicit off-track betting, gang activity, moonlighting, neighborhood-or building-based barter of services, and Afro-Caribbean practices like *santería* and *espiritismo* (Fitzpatrick 1971:170–178; Steiner 1974:327–363, 475–486). Like their counterparts in Europe during the 15th to 18th centuries, Puerto Rican material life partly became one of “the limits of what was possible” in, as well as a “counter-force” (Braudel 1992a: 24, 25) to, the Global Neoliberal market economy of the late 20th and early 21st centuries. However and no less than 15th to 18th century “ethnic” trade diasporas (Braudel 1992b: 153–168), certain aspects of this infra-economy could be and have been assimilated by the corporate and crime syndicate manifestations of regional capital and transnational companies (e.g., the links between car-jacking gangs, “chop shops,” and [legal] auto-parts and used-car businesses).

The key sites of this massive restructuring were—and still are—the global

cities (e.g., New York City, Los Angeles) and the large urban hubs of U.S. regional-capitalist command and interaction within the world-economy: for example, Houston, Boston, Denver, Atlanta, Miami, and—as I will briefly illustrate below—San Juan. The corporate headquarters and more automated industrial operations shifted to U.S.-suburban and/or overseas complexes outside U.S. jurisdiction: in both instances, beyond the largest declining metropolitan cores with significant Puerto Rican populations, like Chicago, Philadelphia, and especially New York City. Such shifts depleted the tax base within these cities, catalyzing a series of interlocking fiscal crises imbricated with the economic constraints of the federal government during this decade and the next (O'Connor 1973; Cohen 1981; Tabb 1982; Sassen 1988, 1991; Ross and Trachte 1990:156–157).

Global Neoliberalism also brought about in these cities a drastic decline in shop-level industrial jobs—principally affecting those who, like Puerto Ricans in the United States, were the “last hired, first fired” (NACLA 1978; Sassen 1988:148, 153, 160, 162). This compression was particularly evident in New York City’s industries, and Puerto Ricans—male workers, especially—were among the hardest-hit groups (Early 1980; Bonilla and Campos 1986:9–14). Puerto Ricans (both sexes) working in all stateside manufacturing diminished from 55 percent in 1960 to 41 percent in 1970; between 1980 and 1990 these proportions declined further from 33 percent to 20 percent (tabulations based on USBC 1963, 1973, 1983, 1993).

The subsequent fiscal crisis in cities like New York unevenly brought about a polarization across the full “ethnic” spectrum of racially depreciated laborers. As part of the continuing generalization of indirect rule among colonized populations, there were those who made significant gains (African Americans more than Puerto Ricans). This was due to the conjunctural expansion in access to higher education and government employment (A. Torres 1995:46, 57, 76–77, 87–88, 135–136), as well as to the selective growth of elite public schooling. This factor contributed to the legitimation of mainstream politics among Puerto Ricans in North America. In this sense, it created a wider base for moderate cultural nationalism: U.S. extensions of Island government institutions, party affiliations, civic organizations, and corporatist groups of Latino professionals. As I argue elsewhere (Santiago-Valles and Jiménez-Muñoz 2003), this aspect of the racial conjuncture that began in the 1970s would in part provide structural coherence to the ongoing consolidation of the bourgeois-colonial consensus across the entire U.S. economy in the face of the degradation of subaltern social conditions we shall now examine.

Most of these colonized populations were crushed by the capitalist “remedies” to the fiscal crisis in New York City. This meant a further contraction of an already limited social consumption norm, epitomized by municipal retrenchment and deteriorating public services. For example, by 1980, the three boroughs with the highest concentration of Puerto

Ricans—Manhattan, Brooklyn, and the Bronx—had infant mortality rates comparable to those of El Salvador, the Dominican Republic, and Malaysia (USCRC 1976:55–71, 105–146; Katznelson 1981; Fitzpatrick 1987:141–178; Ross and Trachte 1990:168; Rodríguez 1991:120–138; A. Torres 1995).

In the case of New York City, the fiscal crisis also led to ambitious tax-shelter legislation, investment incentives, and “urban-ambiance” upgrade programs: for example, the transformation of factory buildings into residential lofts, together with the conversion of tenements and industrial districts into concentrations of gourmet/ “exotic” restaurants, chic boutiques, exclusive night clubs, as well as centers of *haute couture* and “High Culture” (museums, galleries, exhibition halls, and the performing arts). The result was the return of some corporate headquarters and rising levels of gentrification in order to accommodate the professional-technical and managerial personnel of these companies. The ensu-

ing real estate feeding frenzy and municipal triage into the early 21st century, in turn, resulted in the protracted dismantling and atomization of low-income, impoverished barrios: for example, the Puerto Rican bastions of East Harlem, the Lower East Side of Manhattan, and especially the South Bronx (Tobier 1979; Katznelson 1981; Zukin 1982; Marcuse 1986; Fainstein and Fainstein 1987; Ross and Trachte 1990:154–163; Rodríguez 1991:106–116; A. Torres 1995; Laó 2001).

The latter process in the large U.S. cities of the Northeast was also accompanied by a heightened police surveillance and repression targeting the residents of the Boricua ghetto archipelago (unemployed youth, in particular) and their heirs during the 1980s and 1990s who now increasingly blurred into African American, Dominican, Haitian, Jamaican, Southeast Asian, and other generic “colored” urban threats (Morín 1989; James 1992; Pérez 1996). This hike in custodial-punitive practices was part and parcel of the historically long-term deployment of coercion as a principal feature for regulating racially depreciated labor on a world scale.

Young-adult Puerto Ricans (males, especially) were among the groups assaulted by this process (Cordero Guzmán 1992–1993), driving them to considerably reweave the fabric of material life. In this manner, Puerto Rican and other colonized youths (African Americans, Dominicans, et al.) attempted to reclaim metropolitan spaces from capital and the municipal government. The practices summarized immediately below illustrate how the downward phase in the world-systemic cycle of accumulation simultaneously unevenly kindled Puerto Rican—and broader Caribbean-Latino/a and/or Afro-diasporic—subaltern resistant practices partially disrupting the historical flow of the bourgeois-colonial consensus and of the continuing use of coercion as the principal feature of labor regulation among racially subordinate populations (locally, regionally, and globally).

Such resistances included taking part in the rise of breakdancing, rap-music, block-wide rent parties, “bombing” subway cars and city walls with graffiti and memorial murals, and so on; indelibly marking the city’s swelling gay and lesbian insubordinate topographies (the Stonewall rebellion and Gay Pride marches) while forming autonomous sites (e.g.,

Comité Homosexual Latino, La Casita, Hispanic AIDS Forum); mobilizing within local politicocultural expressions (such as the Puerto Rican Day Parade, Museo del Barrio, and left-nationalist organizations); as well as participating in the militant CUNY (City University of New York) student strikes (1989–1992), resisting the administration’s attempts to roll back the gains of the late 1960s and early 1970s (bilingual education, open-admissions policies, and “ethnic” studies programs). But such resistances also encompassed the resurgence of politicized gangs (the ñetas, the Almighty Latin King and Queen Nation), the massive, anti-police-brutality street demonstrations of 1988–1996 (via the likes of the Coalition for Racial Justice), and youth conferences organized by new groups like the National Congress for Puerto Rican Rights (founded in 1981), Fuerza Latina, and ¡MUEVETE!, the Boricua Youth Movement. Such expressions eventually overlapped with wider

social movements involving Puerto Rican parents as well as other sectors from communities of color: for example, Puerto Ricans and Dominicans mobilizing around housing, education, working conditions, immigrants' concerns and other legal rights, and environmental racism (Rodríguez-Morazzani 1991–1992:97; A. Torres 1995:135; Bravo 1996; Trim-TNC 1996; Aponte-Parés and Merced 1998; Flores 2000).

One of the more devastating aspects of Global Neoliberalism was the dramatic expansion of consumer services and producer-oriented services (particularly business services) containing enormous components of downgraded labor, involving an increase in transient employment (wage and nonwage) and including both U.S. citizens and growing numbers of immigrants, especially from the Caribbean Basin and East Asia. In the area where Puerto Ricans are most heavily concentrated (the U.S. mid-Atlantic states), the percentage of women working in these new service sectors has risen from 61 percent in 1970 to 71 to 72 percent between 1980 and 1990 out of all Puerto Rican female employment in the United States, while Puerto Rican men's employment within these new service sectors oscillated between 36 percent and 43 to 47 percent, respectively, for these same decades (Colón-Warren 1997:142). Within the context of the academic-, mass media-, and public policy-oriented mental frameworks specific to this racial conjuncture, the historical flow of these new service sectors' savage inequalities was supported by the continuity between (1) the culture-of-poverty studies of the 1960s and early 1970s and (2) the neobiological perspectives and underclass theories proliferating since the late 1970s (Valentine 1968; Ross and Trachte 1990; Gans 1995).

As we saw above, one of the other key components of Global Neoliberalism was the downgraded manufacturing sector, and it likewise involved an expansion of sweatshops and industrial home-work within both the older labor-intensive industries (e.g., apparel, footwear, toys) and among subcontractors for high-tech industries (e.g., some electronics sectors). Especially in sites like New York City, the tendency was toward racially depreciated immigrant (legal and illegal) female labor within downgraded manufacturing enterprises, where wage levels in the

apparel industry by the late 1970s had dropped below those in San Juan. Such socioeconomic constellations replaced Puerto Rican male wage laborers with, for example, illegal immigrant Chinese women and girls working for still lower wages or even laboring as indentured servants and/or other types of bonded labor in New York City's garment sweatshops (USCHEL-SLS 1982; Waldinger 1985; Ross and Trachte 1990:162; Colón-Warren 1997:172–173; USCHCEW-SOI 1998; NYSASCL-SoS 1999).

The Puerto Ricans thus displaced (both sexes), in turn, partly shifted toward several overlapping sectors. In places like New York City and other areas in the Eastern seaboard this meant the relatively low-paying jobs Puerto Ricans had held since the first migrations to the United States: maids, janitors, porters, food service workers, stock clerks, laundry workers, delivery persons. But, different from the interwar years and Global Keynesianism, such employment was

now linked to the rapidly expanding business services: advertising, building maintenance, research and development, management and consulting services, legal offices. Such changes were linked likewise to the rise of transient employment in downgraded manufacturing—including high-tech industrial sweatshops—in the upstate areas of the Northeast, as well as in the U.S. South, the West Coast, and Puerto Rico. Finally, displaced Boricuas also entered other niches (wage and nonwage) within the so-called informal economy—besides sweatshops—in both the United States and Puerto Rico. The latter activity included odd-jobbing and working “off-the-books” in the building trades and ground transportation, overlapping with the *bolita*, street peddling, other forms of microretail, and the nonmonetary exchange of services and products, as well as with gun trafficking and the illegal drug trade (Russell 1982; Sassen-Koob 1982; Weisskoff 1985:55, 63–64; Sassen 1988:87, 157–158, 200; Bonilla 1994:135–138; Santiago-Valles 1995; A. Torres 1995:28, 58, 131–132; Colón-Warren 1997:139–141, 168–171).

THE NEW MIGRATORY PATTERNS

As trade union struggles on the Island won the extension of federal minimum wage levels—albeit, piecemeal—to Puerto Rico, capital’s need (U.S. transnational and local) for cheaper labor increased from the early 1980s onward, while the more unskilled segments of “native” labor on the Island began to shift toward higher-rated sources of income. This left the lower-paying niches to the cheaper yet no less racially depreciated and colonized labor of immigrant workers (legal and illegal) from the Dominican Republic and, partly, to deskilled and displaced Puerto Ricans from the United States (Torruellas and Vázquez 1982; Duany 1994, 1995:65). In terms of migratory flows, this was how and when the current augmentation of “circular” or “cyclical” migration originated—albeit the phenomenon itself has existed (at lower levels) since the 1960s (Hernández Alvarez 1976; Hernández Cruz 1985; Bonilla and Campos 1986; Meléndez 1993; Bonilla 1994).

Simultaneously, many Puerto Ricans in the United States began using outward migration in ways similar to what we had done during Global Keynesianism but now leaving our older and more established barrios in

the larger metropolitan tracts (New York City, Chicago, Philadelphia) besieged by the effects of Global Neoliberalism. For instance, while in 1990 New York City still accounted for 33 percent of all Puerto Ricans in the United States, already by 1980 the U.S. cities with the highest proportions of Puerto Ricans as percentages of the total city population were in Connecticut (Hartford and Bridgeport) and New Jersey (Camden, Passaic, and Paterson), not in New York State (Santiago and Rivera-Batiz 1994:22–23).

It is no accident that these new areas of Puerto Rican settlement tended to be the exact same geographical areas exhibiting relative growth in the industrial sector (once again: automated operations but especially downgraded manufac-

turing), services (upper-level or not), and the informal economy. Massachusetts is a case in point: There, high-tech sectors like electronics experienced a spectacular expansion throughout the 1970s and 1980s, generating an increase in the availability of very skilled and high-income personnel and, even more so, in the proportions of low-wage production labor. During this same period, though, the most rapidly growing economic niches in the area were low-wage wholesale and retail trade and services. Not coincidentally, the Puerto Rican population of smaller cities like Worcester, Springfield, and Lawrence-Haverill in Massachusetts almost tripled between 1980 and 1990. These three cities had among the highest poverty rates (between 56 percent and 62 percent) of all U.S. metropolitan areas with the largest Puerto Rican populations (Rivera 1984; Ross and Trachte 1990:181–188; Santiago and Rivera-Batiz 1994:22, 48).

On the other hand, this socioeconomic and demographic polarization among Puerto Ricans in the United States was closely linked to changes on the Island leading to a new type of Puerto Rican migration—the “brain drain.” This is how it came into being: From the 1970s to the early 1990s, cash-strapped capital-intensive, heavy industries (petrochemicals, pharmaceuticals, some electronics sectors) in the United States, together with international finance corporations, began transferring operations to Puerto Rico on a large scale. These companies manipulated global price differences in raw materials and benefitted from federal tax-shelter legislation—for example, Section 936 of the U.S. Internal Revenue Code (from the early 1970s to the mid-1990s)—enabling them to repatriate to the continental United States corporate profits generated outside federal jurisdictions (Weisskoff 1985:162; Martínez 1988; Muñiz Varela 1995).

But, together with older light-industry sectors (apparel, footwear), this shift also corresponded to the uneven extension of Neo- and Post-Fordist projects toward the Caribbean. Similar to the (socioeconomically colonial) role South Korea was playing in the Pacific Rim at this time, Puerto Rico in general and San Juan in particular were partially relocated as an intermediate link (in industrial production as well as in business services) between (1) the corporate headquarters, most capital-intensive and high-

wage operations, along with research and development within U.S. global cities and other regional-coordination centers and (2) the most labor-intensive, least-skilled, and low-wage end of this chain in the export-processing/ free trade zones elsewhere in the Caribbean (e.g., Haiti, the Dominican Republic, Jamaica, Barbados). This is how San Juan emerged as a regional command and control center for U.S. capital and global finance within the Caribbean Basin (Sassen-Koob 1982:99; Castañer 1988; Martínez 1988; Santiago-Valles 1991; Benson Arias 1996; Muñoz Varela 1996).

Global Neoliberalism thus not only accelerated and augmented the already mentioned, larger, and now more cyclical migration of semiskilled and lower-skilled labor to the United States from the Island. It also created a relatively new layer of migration, this time Island to United States, namely, the “brain-drain.”⁵ A key feature of this process was the enormous accretion of higher education on the Island (public and private) since the mid-1970s. However, the

proportions of professional-technical, upper-level services, sales, and officeworkers being credentialed surpassed the existing local job market. This growth corresponds to the continuing global trend toward the generalization of indirect rule among colonized populations. Like we already saw among its New York City counterparts at this same time, the expansion of the Island's middle strata also tended to bolster the bourgeois-colonial consensus across the entire U.S. economy (with a greater role for domesticated colonized elites). This discrepancy generated a sharp rise in the numbers of higher-skilled, "white-collar" workers migrating to the United States beginning in the late 1970s and continuing into the 1990s (Alameda 1983; Latortue 1983; Lidin 1983a, 1983b; Licha 1984; Alameda and Ruíz Oliveras 1985; Pagán Irizarry 1989; Blasor 1990; Santiago-Valles 1991; Vega Loépez 1992).

As early as 1983, for instance, 80 percent of the graduates of the most important engineering school on the Island did not even bother to look for employment in Puerto Rico but went directly to the United States; likewise for the majority of medical school graduates in Puerto Rico. Soon the Island became a fertile ground for the recruitment efforts of U.S. companies and municipal governments seeking highly credentialed, skilled, and bilingual professional-technical labor. As in other formally colonized and neocolonized contexts, this particular exodus epitomized yet another unequal exchange whereby the training-educational costs were shouldered by the Island's residents while the economic benefits generated and the services rendered by this same professional-technical "native" labor were transferred to the United States (Olavarría 1983; Dietz 1986:286; Gaud 1988; Pascual Amadeo 1994a, 1994f; Duany 1995:62; Santiago and Rivera-Batiz 1996:190).

By the early 1990s school districts and municipal hospitals everywhere from Hartford, Connecticut, and Miami to Houston and Los Angeles were actively drafting Puerto Rican schoolteachers, social service workers, and nurses on the Island, most of them women. And by the early 1990s, schoolteachers constituted the largest group (33 percent) of professionals, almost a third of whom moved to Texas and Florida. The latter state, in particular, had more than doubled its Puerto Rican

population between 1980 and 1990, with a growing percentage of them coming from the middle classes. The Tampa-St. Petersburg-Clearwater metropolitan sprawl, for instance, had the second-highest median income levels and one of the most elevated percentages of higher education among Puerto Ricans in all U.S. metropolitan areas by 1990 (the highest was the Los Angeles– Long Beach zone). Thus, it was perfectly logical for Puerto Rico's Chamber of Commerce to open a chapter in southern Florida during the mid-1990s despite the fact that over 200 Puerto Rican businesspersons and professionals in Florida's Gulf Area had already established their own Chamber of Commerce in 1992 (USBC 1983:6; Pascual Amadeo 1994b, 1994c, 1994d, 1994e; Santiago and Rivera-Batiz 1994:35, 112; L. Torres 1994a, 1994b).

This was how the current socioeconomic split among Puerto Ricans in the

United States came into being. The Global-Neoliberal transformations of the 1980s and 1990s have meant that Puerto Ricans in the United States, different from what used to be the case until the late 1970s, would no longer be an almost homogeneously laboring-poor population but would increasingly reflect the social polarization patterns that we already saw predominating on the Island after World War II—that is, laboring-poor majorities versus comparatively small fractions of professional-managerial and highly propertied “natives.”

CONCLUSIONS

As this chapter has shown, Puerto Rican laborers (on the Island and in the United States) have been at ground zero in terms of where and how Global Neoliberalism has been emerging. In a lot of ways—and if I may be allowed to mix metaphors for a minute—Puerto Rican laborers are one of the proverbial canaries in the mine shaft of contemporary and prospective global trends.

But as I have also tried to begin demonstrating, the situation of Puerto Rican laborers during Global Neoliberalism also epitomizes the interweaving of two distinct structures of long-term history: on the one hand, the protracted deep frameworks establishing the social-class logic of Puerto Rican labor formation (namely, the systemic cycles of accumulation, earmarks of the world-economy) and, on the other hand, the protracted deep frameworks grounding the racially depreciated matrix of this same labor formation (namely, the shifting patterns in the social construction and regulation of racial embodiment within the modern colonial world-system).

In this sense, Puerto Rican labor since the late 1970s exemplifies a series of interfaces between these two historical conjunctures—economic and racial. The emergence of the new service sectors and their expanding sweatshop component are connected to a degradation of colonized subaltern bodies (via the depreciation of their conditions of existence) and hegemonically understood as determined by nature-based cultural factors. The rising migration from the geographical periphery to the geographical core (particularly of highly skilled labor) is

connected to the domestication of the colonized elites. The accretion of the so-called informal economy is connected to persistent subaltern “refusals from below” imposing limits on recent shifts in the capitalist market and hindering the historical flow of coercion as a principal feature of colonized labor regulation. The decline of developmentalism and the dismantling of the welfare state are connected to the continuing generalization and emerging crisis of indirect rule. The shifts in global cities and the creation of new regional-capitalist command centers are connected to the proliferation of underclass theories and the neobiologized mental equipments of public policy. In sum, the hallmarks of the Global Neoliberal conjuncture are connected to some of the principal features of the racial regime that surfaced during the late 1970s and continues into the early 21st century.

NOTES

- Which is not to say that “race” is the only long-term structure of social embodiment that organizes the socioeconomic and institutional-material
1. degradation of laboring populations: “gender,” of course, is another (Aglietta 1979:170–174).

- On this particular point, I disagree with Quijano (2000:533–534) who understands “race” in mainly instrumentalist-ideational terms: a “mental
2. category,” “an idea,” “a codification” that justified colonial domination and the exploitation of labor in the periphery. See also Quijano and Wallerstein (1992:551).

- My notion of indirect rule owes a great deal to the work of Mahmood Mamdani (1996), although my conclusions in this regard and their extension to encompass global colonial situations—formal and informal—differ
3. partially from his and rely more on the formulations of Quijano (1999, 2000).

4. I owe this reference to Mark Frezzo, who brought the Hirschman text to my attention.

5. For arguments to the contrary, see Duany (1995:62) and Santiago and Rivera-Batiz (1996:185–90).

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Chapter 9

The “Third” Arena: Trends and Logistics in the Geoculture of the Modern World-System

Richard E. Lee

World-systems analysis not only identified a unique and unitary “world,” exhibiting both long-term regularities and constant change, the “world” that constitutes its unit of analysis, but recognized the phenomenological wholeness of human reality as well. Over the past three decades, significant progress has been made in developing modes of integrating the analytically distinct arenas of production and distribution, the economic, and decision making and coercion, the political, in terms of long-term processes and medium-term fluctuations.

Much progress has also been made in the study of the social or cultural sphere—the “third” arena—during this same period. Nonetheless, today we remain substantially at the same point as 20 years ago when it was asserted that “little is systematically known about [the broadly ‘cultural aspect’] as an integral aspect of world-historical development...[and] much preliminary conceptual work needs to be done” (Hopkins *et al.* 1982:43).

Just as surely, however, we ignore at our peril a large and sophisticated body of fine-grained analysis, in particular studies that have sought to historicize naturalized categories (particularly in the realm of “difference,” i.e., race and ethnicity and gender) and work that has characterized the movement beyond aesthetics in the arts. But the key word in the first part of the above citation is “systematically.” Most scholars today will admit that present relations of production and distribution display a unique systematicity, and that over a relatively long, but not overly long, period. Furthermore, many scholars will even admit that decision making and coercion on a world-scale may be analyzed in holistic terms. The point is that despite their historicity and attention to detail, the aforementioned studies in the sociocultural domain generally focus on a case, or cases,

of the historical construction of a category (in the sense of a classification criterion) or the explanation of some concrete event, state of affairs, or period

in terms of such a category or categories. They thus remain rooted in 19th-century social science, either constructing/confirming/applying “universal” explanatory models through the analysis of variance or recounting “particular,” interpretative, local accounts.

The problem here is an obvious one. Attempts made to articulate cases of categories, obtained in the second, classical approach, with instances of processes, the product of the first, systemic perspective, make clear the incompatibility of data at the observational level obtained in reference to the two different logical spaces. The structures of knowledge approach has begun to address this issue by identifying and tracing the long-term processes producing and reproducing the constraining relational framework of cognition and intentionality unique to the modern world-system. These processes may be more readily grasped when conceptualized as the initial production and reproduction of a set of hierarchical intellectual and institutional structures constitutive of the system over its entire life span and analogous to the axial division of labor and the interstate system. These processes, like their analogues, exhibit two forms of “movement” deriving from the internal contradictions of the structures being reproduced, and these may be differentiated by duration: that is, long-term development, secular trends, and medium-term fluctuations that both assure stability, the reproduction of regularities, and account for change manifested in secular trends.

THE LONG-TERM TREND

Rather than rehearse the entire “transition from feudalism to capitalism,” I want to sketch several examples or instances of transformation in this “third” arena associated with the internal dynamics and external conditions of the late feudal system. The historically unique concurrence of the exhaustion of trends and the arrival of fortuitous shocks determined, overdetermined, a structural transformation of the social relations in what would become the European “core” of the modern world-system, including the constitutive patterns of difference—those through which we apprehend our world—and thus the fundamental rearticulation of intellectual and institutional constraints on conceiving and organizing social action.

The late feudal period was characterized by a long expansion, certainly under way by the 11th century and then a rapid collapse from the beginning of the 14th century. But even before the crisis and collapse of the 14th century, the social structure of the late Middle Ages began to run up against the limits of its success. The story is familiar. A long-term warming trend brought abundant harvests that in turn favored population growth, which fueled both internal and external expansion and, closing the circle, raised demand for food production. More and more marginal land was brought under cultivation; peasants' incomes rose as did their bargaining power with the consequences of extending wage labor and the money economy. Concomitantly, in a trend rooted in the feudal

relations of land tenure, by the middle of the 13th century, subinfeudation, the practice of carving out smaller and smaller seignories, manors, honors, and the like, from larger holdings was seriously infringing on the power and decreasing the wealth of great lords. The practice was brought to a halt in England by the statute *Quia Emptores* enacted during the third notable parliament in 1289. It had the further consequence, however, of instantiating alienation by deed, the commodification of land.

The expansion of commerce, both at the local level and in the long-distance luxury trade, brought pressure on methods of accounting. Merchants needed to know if they were making a profit. The invention of double-entry bookkeeping in the 13th century responded to this imperative as market transactions increased and intensified. Those rule-bound, double-entry ledger records, formally precise but not necessarily accurate, established the basis for the emergence of the “modern fact,” as distinguished from medieval essences, as the primary epistemological unit of valid knowledge and cultural authority (Poovey 1998). The creation of the modern fact established the legitimacy of profit by equating the virtues of “balance” exhibited in the double-entry system with those of symmetry and proportion dear to classical rhetoric and Church doctrine. Distinguishing profit from usury sanctioned the accumulation of accumulation, and the merchant became a capitalist. The modern fact could be affiliated with both specifics (of commerce) and their generalization (within a system that ordained the individual creditworthiness of merchants and their credibility as a group). Finally, the association of rhetoric with the inferior status of merchants undermined its cultural authority and thus the legitimacy of the feudal system of which it was the scholarly cornerstone. The double identity of the modern fact defined the contradiction between the particular and the universal that drove the process of rationalization and its omnipresent shadow, the pursuit of objectivity, that is, the progressive privileging of formal rationality, defined as disinterested calculation for the purpose of instrumental action, over substantive rationality, the pursuit of normatively justified, specifically situated ends.

During this same period of expansion, a great corpus of Greek learning,

especially the works of Aristotle, found its way back to Europe—this external shock also a well-known story—and two great centers of knowledge production, Oxford University and the University of Paris, were founded. There ensued a flowering of scholarship. But along with the excitement aroused by such a well-developed system came the realization of the challenges it presented for the Catholic faith and the medieval social order. The Dominicans (originally deemed doctrinal progressives) at Paris responded with the synthesis constructed by Thomas Aquinas. The Oxford Franciscans (originally deemed doctrinal conservatives) Roger Bacon, Duns Scotus, and especially William of Occam took a different route, and rather than the one truth about God and man that Thomism claimed, they acknowledged a double truth, of faith and reason, of sacred and secular. Along with Marsilio of Padua, William of Occam, who admitted no

exception to the principle of the excluded middle, went even further with a frontal attack on the papacy and called for the subjection of Church to state.

The nascent trends of commodification and proletarianization in material life correlated positively with the separation of facts and values just as the political economy of parcelized sovereignty correlated poorly with the principle of the excluded middle. The downturn of the late Middle Ages was already under way when that great external shock of all shocks, the Black Death, hit in 1347. This combination of bubonic plague and anthrax cemented the reversals that can be recognized from the end of the 13th century. It gave the lie to the bucolic Thomist vision, and although it determined increased exploitation for many during the second half of the 14th century, many survivors benefited and the great labor shortages that were manifested during the last quarter of the century assured the continued development of small holdings and the money economy.

By the beginning of the long 16th century, new cognitive modes of apprehending human reality had begun to coalesce in the form of an intellectual and institutional hierarchy within which authoritative knowledge was progressively defined as the “other” of spiritual/moral values. The move was exemplified in the rise of “absolute” mathematics and the gradual passing (but not total disappearance: “unlucky” 13) of the association of numbers with extraquantitative, mystical qualities. Over the long term, that is, the TimeSpace of the modern world-system, the defining conceptual structure of knowledge has been this separation of fact from value, of the true from the good. Institutionally, this distinction took the form of the division between (what would come to be known as) the sciences and the humanities and eventually would come to be called the “Two Cultures.” The internally contradictory nature of this solution has been manifested in recurring dilemmas giving rise to medium-term solutions through which have operated the long-term trends reproducing the structures of knowledge.

THE MEDIUM-TERM FLUCTUATIONS

Like the division of labor and the interstate system, the set of intellectual

and institutional structures of knowledge defining the geoculture of the modern world-system has been continually reconstituted through a series of medium-term fluctuations expressing the realignments that have assured the reproduction over the long term of the regularities under pressure from the contradictions endogenous to the system. These fluctuations are analogous to the waves of expansion and contraction in the economic sphere and cycles of hegemony in the political domain. Indeed, “wave” seems an appropriate term for economic fluctuations, and “cycle” well characterizes the geopolitical fluctuations of the power relations in the interstate system as a repetitive sequence. Holding firm this terminology, I shall refer to the succeeding periods of reconstitution in the sociocultural arena as “logistics.” Their periodization roughly corresponds to Rondo Cameron’s (1970, 1973) original use of the expression in conjunction

with long-term price waves. However, the patterns I will be indicating do not express ordinal difference; logistics in this sense are not cyclical, either in the strong form of passing through the same value or in the weaker form of exhibiting clear patterns of repetitive ups and downs. Nor do these fluctuations exhibit a wavelike rolling regularity. Although some years ago Immanuel Wallerstein (1983) correlated Cameron's price logistics with the cycles of hegemony, the term itself has never really found a niche in the world-systems lexicon. Here, then, I want to appropriate it as better capturing both the repetitive nature of the fluctuations in the cognitive structures constraining consensus and dissent and the sense of marshaling and organizing such resources in struggle.

The argument for such a conceptualization of this "third arena" simply extends the notion that the processes of accumulation require the partial free flow of factors of production accomplished through the selective intervention of the multiple states that monopolize the legitimate use of coercive force: hence, the "states" of relative interstate competition through which the system passes. However, the use of coercive force is expensive. If the interstate system organizes the application of coercive force, the construction and development of the structures of knowledge instantiated and reproduced the internally contradictory and always contested bases for consensus, about what it is possible to think and therefore do, that have operated in and through the successive logistics reorganizing that basic structure and accounting for its development.

THE FIRST LOGISTIC

The first logistic corresponds to the period of secular inflation and deflation identified by Cameron and running generally from the middle of the 15th century through the first third of the 18th century. The Thirty Years' War, the Westphalian solution, and the establishment of Dutch hegemony punctuate the middle of the period.

From the beginning of the first logistic, the tenuous movement in the direction of secularization, the incipient separation of facts from values, the true from the good, the division between the earthly and the heavenly,

becomes quite apparent. Indeed, the transformation from the end of the 14th century of the meaning of comprehension itself that results in the modern concept of “intelligibility” as an object of the intellect operating in a progressively “disenchanted” world is accentuated and carried forward by the reaction against scholasticism of Bacon, concerned with avoiding received authority and personal bias, and Descartes, anxious to find a rational basis for truth claims. Whereas the late medieval structure of knowledge was supported by the classical explanatory scheme of four “causes”—material cause, efficient cause, formal cause, and final cause—the synthesis of Baconian induction, Cartesian deduction, and a quantified mathematics already manifested in Galileo brought forth a mechanistic model. Although Newton had sought to prove the existence of God, the “clockwork universe” effectively erased any sense of “final” cause. In this first great shift

toward secularization, God as final cause in the sense of internal governing principle (rather than external goal) is removed from the dominant vision of order in nature, and the erstwhile creative potential imputed to a supreme being is transferred to Locke's rational individual and sovereign majority.

THE SECOND LOGISTIC

The second logistic corresponds to the second period of secular inflation and deflation that runs from the mid-18th century through the latter part of the 19th century. Here again the period is punctuated at its midpoint by a 30 years'-long world war and the reestablishment of a state of hegemony in the interstate system with England as the leading power. The medium-term resolution of the first logistic is confirmed and consolidated and symbolically celebrated by La Place's rejection of any place for God in his system of celestial mechanics.

However, the period is also marked by the increasing efficacy of resistance to coercive labor control made in the name of freedom by the oppressed and exploited of the world-system. The conflict of the mutually exclusive political agendas promulgated by conservatism and radicalism in the wake of the French Revolution (each with a humanistic, value-oriented ideal of human reality) was resolved toward the end of the century in the "new liberal" synthesis that replaced their holistic and organic models of social relations with a mechanistic one of linear incrementalism borrowed from the sciences. The political shift was abetted by the intellectual outcome of the *Methodenstreit* and the institutionalization of the study of human reality in the new disciplines of the social sciences. It was this model that underwrote and stabilized the "nationalisms" and the creation of their new attendant state form in response to the universalism of the ideals expressed in the French Revolution. Collaterally, "racism" and "sexism" were deployed as the primary mechanisms authorizing the status hierarchy of the stratification of the world labor force as coercive modes of labor force control became increasingly expensive and lost their social legitimacy. "Formal" cause, the idea of an overall plan, gave way, and the remaining material and efficient causes were well expressed by a model of "progress" built up out

of the immediate past and mythical antecedents through individual agency—the product of the European, white, male entrepreneurial spirit, or so went the saga.

THE THIRD LOGISTIC

The third logistic runs from the late 19th century and does not seem to be yet exhausted. It is also punctuated by a 30-years'-long world war that resulted in a new state of hegemony. The political tensions of the second logistic were resolved in the medium term with the new liberal consensus of popular sovereignty and the welfare state extrapolated worldwide as developmentalism and self-determination of peoples. These innovations were supported by the consolidation and institutionalization of the social sciences in disciplines and

university departments, separated on the basis of putatively proprietary theories, methods, and subject matters. The hegemony of this model for the construction of knowledge of human reality in the post-1945 period, however, brought new problems as the reductionist and analytical mode was deployed in modernization theory and the comparative method.

Similar to the dynamic of the last period of feudal expansion, the long-term trends of the modern world-system began to show signs of exhaustion during this third logistic—dating, at least, symbolically from 1968. The structures of knowledge in the form of the “Two Cultures” have been challenged by the antiessentialism and social constructivism from the humanistic side and by complex systems research emphasizing unpredictability, context dependency, and the “arrow of time” from the sciences.

STRUCTURAL CRISIS AND THE RETURN OF TELEOLOGY(?)

As I and others have argued elsewhere (Hopkins and Wallerstein 1996; Lee 2001), the present period is one of structural crisis. The long-term trends of the system as a whole, that is, in all three arenas, are reaching a point of exhaustion and are no longer able to overcome the internal contradictions of their constitutive processes. In the realm of the structures of knowledge, there are movements afoot that suggest the return, in a new guise, of at least “formal” cause, that is, of explanation that takes into consideration some idea of “plan.” Defying the law of the excluded middle fundamental to our sense of what defines science and logic and impugning our notion of a commonsense world, science now provides us with alternatives to classical models of physical reality in the form of relationally constituted self-organizing systems and fractal geometry and re-conceptualizations of change and transition in complexity theory and chaos theory. One possible consequence of a transformation of our basic understanding of what it means “to know” has been expressed quite simply by Ilya Prigogine: “I believe that what we do today depends on our image of the future, rather than the future depending on what we do today” (Prigogine, in Snell and Yevtushenko 1992:28). Indeed, the world today presents us with a positive uncertainty of the future, and the agenda of historical social science of imagining

possible futures and struggling for a more substantively rational world takes seriously the possibility that during periods of transition small measures may have great consequences (Wallerstein 1998). Over the balance of this third logistic we may expect, analogous to the developments of the last phase of the feudal period, the broad outlines of fundamentally different modes of constructing authoritative knowledge of the human world (*pace* the sciences) without forsaking values (*pace* the arts and humanities) to emerge as the questions of “who, what, where, when, why” and the objectivity of the “view from nowhere” are replaced by “for whom, with what consequences, for where, for what period of time, under what conditions” and “from whose point of view.”

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Chapter 10

The Informal Economy as a Transnational Category

Hatice Deniz Yüksek

This chapter aims to develop a conceptual framework to study the informal economy as a transnational category.¹ I argue that, parallel to the intensification of transnational links in the world-economy, the informal economy has also come to be organized across national borders. Prior conceptualizations of the informal or second economy were built upon the perceived characteristics of core, peripheral, and socialist economies, respectively. Toward the end of the 20th century, informality reached proportions that defy conceptualizations that differ according to “types” of economies. This is a consequence not only of the collapse of socialist economies; more important, the growth of transnational connections between societies, such as immigration, tourism, cross-border trade, illegal labor migration, and so on, have brought about transnational economic interactions of a different order that force us to think of a new conceptual framework.

My search for an alternative conceptualization of the informal economy stems from two observations. First, we may recall that the second economy under socialism was defined in terms of the characteristics of the socialist system. If we continued to adhere to that viewpoint, we would be at a loss today to comprehend the growth of the informal economy in postsocialist countries. Second, since the 1980s, scholars have sought to understand the connections between informal economic activities and the operations of corporate or multinational actors. Thus, in both the periphery and the core, informality has been on the rise parallel to the restructuring of business organizations toward more flexible forms such as subcontracting, as well as state policies that allow the informalization of labor. Although this scholarship pinpoints at the connections between multinational capital and informalization, it does not see the informal economy as a structure with its own dynamics.

In order to arrive at an overarching conceptualization of the informal economy, I employ Fernand Braudel's understanding of economic life. Specifically, I locate the informal economy at the level of the "market" as defined by him. This conceptualization will help us in two ways: First, the Braudelian *market* operates across all "types" of economies (socialist, market, etc.). Second, the Braudelian *market* also allows us to visualize and conceptualize *transnational* informal economies. Below, I first provide an overview of the literature on the informal economy; then I develop a Braudelian conceptual framework. This is followed by the presentation of scholarly evidence on the existence of transnational informal economies, including my own research on the informal trade network between Turkey and the former Soviet Union.

THE INFORMAL ECONOMY DEBATE

Scholarly interest in the informal economy resurged in the 1980s parallel to the transformations in the world-economy.² Until then, concern with informality was mostly confined to the field of development studies (anthropology, economics, and sociology). Changes in the organization of production such as flexible specialization, subcontracting, the global factory, and the proliferation of nonwaged forms of work resulted in a renewed focus on the informal economy. Some scholars writing on the Third World pointed out that multinational corporations took advantage of off-the-books labor through a chain of subcontracting arrangements in production (e.g., Fernandez-Kelly 1983; Beneria and Roldan 1987; Portes and Benton 1984). They also argued that as peripheral economies ran into economic crises, formal wage labor shrank, giving way to myriad forms of subsistence activities and informal wage labor (e.g., Portes 1983; Roberts 1994).

Many scholars have emphasized that the informal economy is not limited to peripheral countries but is universal and has been on the rise in both the Third World and the West in the 1980s (Castells and Portes 1989:15–16). The reason behind this rise is the shrinking of formal wage labor and heightened rural-to-urban and international migration. Although informal activities display a wide variety, they have several common aspects in the

periphery and the core: First, they are systemically connected with the formal economy: The boundaries between the two change in accordance with the balance of social and economic forces. Second, the status of informal labor is crucial: Informal workers might be considered “downgraded labor” such as immigrant workers, homeworkers, women, and children (Sassen-Koob 1989). But the informal economy also contains informal entrepreneurs who may be resourceful immigrants or members of ethnic minorities. Third, the state’s attitude toward the informal economy is important: The informal economy usually develops “under the auspices of government tolerance” despite being defined by the lack of state regulation. It denotes “a new form of control characterized by the disenfranchisement of a

large sector of the working class, often with the acquiescence of the state” (Castells and Portes 1989:26–27).

On the other hand, there also developed a scholarly debate on the existence of a “second economy” under socialism. Initially, this discussion took place within Soviet Studies. This scholarship sought to demonstrate the failure of the socialist system by pinpointing the existence of a parallel economy that escaped state regulation. For instance, according to Grossman, the main reasons behind the flourishing of the second economy under Soviet rule were the prohibition of many private activities, the ineffectiveness and slowness of the socialist production and distribution system, and widespread corruption (1989).

More sophisticated scholarship on the second economy also defined it in terms of the characteristics of the socialist economy. Gabor (1989), for instance, built his framework on the Hungarian economist Kornai’s conception of the “economics of shortage” (Kornai 1980). He argued that the second economy in Hungary resulted from the nature of socialist economy as a “resource-constrained system that perpetuates shortages and is accompanied by relatively low efficiency in exploitation of the production factors operated by the enterprises” (Gabor 1989:341).

Stark (1989), on the other hand, defined the second economy based on the redistributive (in Polanyi’s sense) features of the socialist economic system. According to him, second economy activities could not solely be classified in terms of legality; they existed in an “alegal” zone whose boundaries are the products of the struggle by people for keeping a sphere of economic activity relatively autonomous from state control. As such, the defining principles of the second economy were different from the socialist economy (market versus redistribution).

Based on the above account, one could argue that the second economy would cease to exist after the collapse of socialism. But in fact, both in eastern Europe and in the former Soviet Union, informality has grown during the “transition to market” (Schroeder 1996). In the case of Hungary, Sik (1992) terms this new phenomenon the “informal economy”

since the distinction between the first and the second economy is no longer valid in postsocialist countries. According to him, the prior socialization of actors in the second economy provides a resource for the functioning of the informal economy today, because people continue to “rely on deeply socialized behavioral patterns, skills and networks for earning their bread-and-butter.” He argues that market transformation will not bring about a disappearance of ingrained habits and investments in human and network capital, since “there is nothing better with which to replace them” (Sik 1992:153–154, 170, 172; cf. Stark 1994a, 1994b).

THE INFORMAL ECONOMY TODAY

The foregoing discussion precisely demonstrates the shaky grounds on which previous conceptualizations of the informal economy stand. Is the informal econ-

omy in postsocialist countries the heritage of the second economy, which was the product of the defective socialist economy? Or does it have a new dynamics, which is a product of the “market economy”? At a more general level, can we bridge the gap between understandings of the informal economy in the periphery, the core, and postsocialist economies?

In order to surpass this conceptual impasse, I propose to utilize Braudel’s conceptualization of the *market* to study the informal economy. Braudel uses the metaphor of a building with three floors in order to describe economic life (Braudel 1979, 1982, 1984).³ The first floor is material life, the second level is the market, and capitalism is located on the third floor. The *market* economy (the second floor), “with its many horizontal communications between the different markets” (Braudel 1982:229), predates the capitalist world-economy. As the *antimarket*, capitalism has always depended on state power for its emergence and growth (Arrighi 1994:10). The *market* has always been a zone of small profits, whereas capitalism is a zone of extraordinary profits—of high capital formation, concentration, and a high degree of monopolization. The role of the state in fostering capitalism has been to act as a guarantor of monopoly (Wallerstein 1991:209–211). Somewhat modifying Braudel’s schema, we might say that there are many gradations between the uppermost and second floors of the economy, and hence, there are myriad links between these two levels. Studies on economic globalization and the ongoing transformation of the world-economy usually scrutinize this top floor, the forces of the *antimarket*, as Braudel calls it, such as the activities of multinational corporations (MNCs), global financial and commodity flows, or global cities (e.g., Sassen 1991; Arrighi 1994; Lash and Urry 1994; Castells 1996; Hirst and Thompson 1996). I argue that the Braudelian second floor, that is, the *market* economy, also operates transnationally.

In the last decades of the twentieth century, the restructuring of the world-economy has led to the growth of the Braudelian *market* at a transnational level. To put it differently, the *market* economy is able to operate transnationally, autonomous of the multinational corporate sector.

Certain processes that are part of the current “globalization” of the world-economy are responsible for the expansion of the transnational Braudelian *market* economy—namely, advances in transportation and telecommunication technologies and the declining regulatory capacities of nation–states.

In our age, not only capital and commodities but people are also transnationally mobile. Modern transport and communications that have accelerated globalization also allow people to form transnational connections. For instance, research on immigrant groups that weave networks of relations between their original communities and North American cities points in this direction (e.g., Basch, Glick Schiller, and Szanton Blanc 1994; Portes 1996; Davis 1999; Portes, Guarnizo, and Landolt 1999b). International tourism is another instance of the increasing mobility of people. The growth in the transnational flows of people allows economic activities that belong in the Braudelian *market* to reach across

national borders. A significant example of this is informal international trade, as I will discuss subsequently.

States, as institutions of economic and spatial governance, no longer carry out regulatory functions over their national economies in the same way they used to until the 1980s (Lash and Urry 1994:2,17). This is attributed to several factors, including the globalization of financial markets and the growing power of multinational corporations (e.g., Strange 1996; Sassen 1998). The state's authority over developmental and monetary policies, over border controls, and over financial flows is perceived to be on the decline, in addition to its old responsibilities such as welfare distribution to its citizens. Thus, the state's authority is becoming more diffuse, both in its relation to the interstate system and with respect to its citizens (Sassen 1998:98–99). In this new setting, some formerly important aspects of state control, such as over certain flows across borders, are no longer of paramount importance.

My argument is that the Braudelian *market* economy thrives in spheres where nation–states have either lost their grip and/or chosen to neglect, or where multinational capital has not yet asserted itself. Put differently, the transnational Braudelian *market* inserts itself into the void in areas not regulated either by nation–states or by institutions of global governance.

What is the informal economy, then, in Braudelian terms? I argue that the informal economy belongs in the realm of the Braudelian *market*. Yet the Braudelian *market* is obviously not limited to the informal economy; it also contains petty commodity production, small trading, and so on, that are within the “formal” economy. The defining characteristic of the informal economy has always been considered to be the lack of legal regulation, whereas that of the Braudelian *market* is not. Rather, the *market* connotes small profits, lack of monopoly, and so forth, as mentioned above. Hence, the informal economy constitutes part of the *market* but is not coextensive with it.

As a corollary to this, locating the informal economy in the Braudelian *market* allows us to see the linkages between the formal economy and

the informal sphere. The line between formal and informal activities is a fluid one. The boundaries of the informal economy within the *market* might change over time in accordance to world-economic conditions, such as the strength and scope of regulation by states or global institutions, or the income-earning activities of the actors involved in informal economy. Put differently, defining informality as a negative residual category (that which is not formal) is empirically and conceptually unproductive. But once we think of it within the Braudelian second floor, we give it a positive definition and ascribe it more flexibility. In other words, we thus define economic activities as belonging to the *market* not because of their status vis-à-vis the law but because of their structural characteristics and their place within a broader (and transnational) whole.

A Braudelian framework also allows analyzing the linkages between the formal and the informal “sectors” of the economy in a more dynamic fashion. When we visualize the world-economy as a multilayered whole— with the up-

permost one being the *antimarket*—it becomes possible to observe the points at which higher levels seek to co-opt the actors in the lower echelons, or vice versa, where some activities in the *market* economy might change nature through capital accumulation or concentration. In the rest of the chapter, I provide evidence supporting my thesis that the informal economy has become a transnational phenomenon. Specifically, I focus on informal cross-border trade.

TRANSNATIONAL INFORMAL ECONOMIES

In every part of the world, unrecorded small-scale trade across national borders exists. Unfortunately, even the journalistic evidence on unrecorded international trade by individuals is rather scant; reports on unrecorded international trade usually dismiss it as smuggling. Here, I present a case for the significance of informal international trade based on scholarly evidence from several regions as well as on my own research that concerns the area surrounding the former Soviet Union.

Informal trade across borders is not a recent phenomenon. This is most apparent in Africa where borders were drawn by colonial powers in a way that cut across preexisting trade routes, political units, and cultural areas. For instance, in West Africa, people made use of the different tax and customs systems to initiate cross-border trade and smuggling. The economic interactions in borderlands increased after independence, both because borders were not “natural” and because they were not policed adequately due to the weakness of central authority. Today, a significant amount of international trade in sub-Saharan Africa is not official. Branded smuggling by officials, such trade is related with the failure of national economies to either provide consumer goods or facilitate formal international trade (Nugent 1996:55). Scholars point out that the flourishing of informal international trade is a result of the debt crisis and the bankruptcy of nation-states (Cheru 1989; MacGaffey 1991). The goods bought and sold through informal trade are not always African made. A substantial amount of goods from Europe and Asia also circulate in Africa through cross-border trade (Ellis and MacGaffey 1996). People from various segments of African societies participate in unrecorded cross-border trade. For instance, in Zaire, landless and unemployed rural

people, urban dwellers whose salaries are not enough for survival, and corrupt government and customs officials are among the actors of this type of trade (MacGaffey 1991).

Another region where informal cross-border trade is widespread is the Caribbean, and there, as in West Africa, it is predominantly a female activity. In Jamaica, "higglering," that is, women's trading of staples and necessities between rural and urban areas, goes back to the times of slavery. Since the 1970s, when foreign currency shortages started, higglers branched out into informal export-import operations. Jamaican women carry produce to Haiti, Panama, and Miami, and they buy goods with their earnings to sell at home (Knight and Taylor 1985). Since their trade evades taxes and customs, their prices in street

markets outcompete formal shopkeepers' prices. Higglering in the Caribbean has recently become more enmeshed with the transnationalization of the region's economy. In Barbados, women's "suitcase trade" from other Caribbean islands, as well as from Miami and Venezuela, caters to the clothing needs of fashion-conscious female officeworkers at multinational data-processing firms. Workers fly to neighboring countries to buy cloth, notions, and garments with their savings from their data-processing wages. Informal suitcase trade allows low-waged women workers to participate in the globalization of tastes in consumer goods and fashions (Freeman 2000:239). This is an especially telling case, as it demonstrates how the upper echelons of the global economy are linked to the *market* by means of the circulation of fashions and consumer tastes.⁴

In many parts of the world, the growth of unrecorded international trade is related to the inefficiency of state distribution and production channels and customs controls. As mentioned above, this is so in Africa. Likewise, the recent flourishing of informal cross-border trade in eastern Europe is linked with the collapse of state-controlled distribution and production systems. In Poland, Hungary, Bulgaria, Slovakia, and the Czech Republic informal trading that existed under socialism has expanded in the postsocialist period (Konstantinov 1996; Sik and Wallace 1999).

An especially significant instance of informal transnational trade in that region originates in the former Soviet Union. Here, I refer to my own research on informal international trade between the republics of the former Soviet Union and Turkey. In the process of the collapse of socialism in eastern Europe and the USSR, a dynamic market in consumer goods emerged among countries in this region as well as between this region and other parts of the world, spanning all of Asia, North Africa, and Europe. Unlike international trade orchestrated by government agencies in socialist countries, the new market came into being through the small-scale trading activities of hundreds of thousands of individuals. Evading customs controls and taxes, traders buy goods in one country and sell in a different one, to benefit from the supply of

goods in some and the demand for goods in others. During the 1990s, dense trade relations were built between Turkey and the republics of the former Soviet Union as a result of the activities of shuttle traders, as they are called in Russia. Hundreds of thousands of people from various republics of the former Soviet Union visit Turkey annually for “shopping.” In Turkey, this type of trade is called suitcase trade, alluding not only to the small scale of the ventures of individual traders but also to its legal status. All suitcase-traded goods enter or exit Turkey as “accompanying baggage” of the trader and therefore are not registered or taxed as imports or exports. At its height during the mid-1990s, the volume of shuttle trade between Turkey and the former Soviet Union, which is usually unrecorded, was estimated to be close to \$10 billion annually. This was a significant amount compared to both Turkey’s overall official exports, which have stood around \$20 to \$25 billion per annum in the same period, and its total volume of trade with the Russian Federation, which was around \$3.3 billion by mid-decade.

Shuttle trade has emerged and developed as a small-scale trading activity. Many people—predominantly women—in Russia took up small trading as a survival strategy when they lost their jobs or in order to supplement meager incomes or pensions in the state sector. In Istanbul, shopkeeping for suitcase traders started out as small entrepreneurship by immigrants from Bulgaria and Kurdish migrants from southeastern Turkey. From production to shopkeeping, from cross-border transportation to wholesaling and retailing in Russia, shuttle trade is characterized by a high degree of informality. In Turkey, taxes and customs duties are underpaid; most retailing in Russia and elsewhere in the former Soviet Union is carried out in marketplaces and evades taxation. In fact, when we take a closer look at the actors of shuttle trade in both the former Soviet Union and Istanbul, we notice that many of them have been active in the informal economies of the respective countries for a long time.

What is important from the perspective of this chapter is that the informal economy of shuttle trade exists in a transnational trade network, rather than being a “sector” of an urban economy. The fate of small-scale manufacturing and shopkeeping in Istanbul geared toward suitcase traders and of shuttle trading by former Soviet citizens are all structurally related to each other. This transnational informal economy operates in the Braudelian *market* where profits are low because of fierce competition, and the scale of operations is small. The transnational trade network has a dynamism of its own that is relatively autonomous from the multinational corporate sector or from global regulatory institutions such as the World Trade Organization (WTO). For instance, the shuttle traders who personally make orders to the small manufacturers in Istanbul determine the design and quality of consumer goods such as garments and shoes. These goods are usually imitations or pirates of well-known Western brand names. Here, the linkage between the corporate level of the economy and the *market* is through the transnational circulation of consumer tastes on the heels of the shuttle traders. Nevertheless, the *market* of shuttle trade does not operate completely independent of the upper echelons of the world-economy. There is a pressure by corporate

actors in Turkey and multinational corporations to stop the trade in pirated products and to control this trade in their favor. Thus, while the current weakness of state and global regulation in the region allows the *market* to exist, pressure from the level of the *antimarket* might lead to shrinkage in size and scope in the near future.

Before concluding this chapter, let me bring together the evidence on transnational informal economies in different regions of the world. In the first place, the flourishing of informal international trade is closely related to the policies and declining capacities of states. In Africa, this is visible in several intertwined ways: the ineffectiveness of border controls, corruption, inadequate roads, weak industrial production, endemic foreign currency shortages. States try to tackle these problems by raising import tariffs for goods that are domestically produced, by artificially controlling foreign currency rates, and by controlling the export of certain commodities. But these efforts usually deliver the opposite of

intended results. High differentials between import-export tariffs among neighboring countries prompt unrecorded trade. High import taxes also spur corruption among customs officials and politicians who are in positions to gain from allowing unrecorded trade, rather than eliminating it. More generally, the pervasiveness of the informal economy and informal international trade in Africa questions the state's jurisdiction over national territory, from regulating and taxing economic activity to physical integration through highways, from controlling its international borders to enforcing its laws and to its monopoly over the means of violence. People resort to informal international trade to acquire necessities that they cannot expect to access through state-regulated channels.

What is the state's perspective on the pervasiveness of unrecorded trade? This depends on several things. If the predominant direction of informal trade is exports, then the state may have little incentive to curb an activity that brings in foreign currency to the country (Connolly, Devereux, and Cortes 1995). When the direction of trade is inward, bureaucracies are more concerned with stemming the tide of illegal imports since it means a loss in tariff revenues and an outflow of foreign currency. But oftentimes, government control over this flow is either an outright failure or ineffective or not wholehearted enough. For instance, in countries where the level of productive activity is very low, the state may have to turn a blind eye on informal imports, since this may be the main lifeline of the population. This has probably been the case in many sub-Saharan countries for quite some time.

What does informal trade connote from the perspective of the people who engage in it? In sub-Saharan Africa, many argue that informal trade constitutes a resistance to the nation-states and to the logic of capital (e.g., Cheru 1989; Davidson 1992; Ellis and MacGaffey 1996; cf. Nugent 1996). While substantiating that argument would require careful ethnographic studies, it is plausible to contend that in many cases informal international trade serves the purpose of economic survival in situations where large-scale criminal rings do not monopolize it. For instance, in the case of shuttle trade, economic survival is a leading motive for many small-scale traders in the former Soviet Union as well as

small shopkeepers, manufacturers, and their workers in Turkey. The same seems to be valid for informal border trade among sub-Saharan countries. The *imperative* to enter into informal cross-border trade for many people may be joblessness, barriers to entry into the formal labor market (especially in the case of women), below-subsistence wages, and landlessness. The *incentive* to engage in informal international trade is the opportunity to make money from the differentials in prices, exchange rates, and import and export duties between countries in situations where formal trade in the same goods is bureaucratically burdensome, more costly, or outright nonexistent.

CONCLUSION

In concluding the chapter, let me emphasize the usefulness of a conceptual framework that embraces informal activities both within and across borders. The

informal economy in the periphery is usually seen as an *urban sector*. Granted, scholarship since the 1980s has underlined its links with not only the “formal” sector of a national economy but also the global economy. Nevertheless, only the global corporate economy is assumed to have the capacity to take advantage of the process of informalization. More clearly, flexibility, a buzzword in the transformation of the world-economy in the last two decades, resides with the corporate economy. It is usually argued that multinational companies can act flexibly, precisely because they can utilize the informal economy through layers of subcontracting in different parts of the world.

We should see the informal economy not as an urban enclave or a residual category but as an economic phenomenon with its own dynamism and therefore capacity for flexibility, yet also with its own limits. Having situated the informal economy within the Braudelian *market*, my point is that we will thus be able to see how it operates transnationally. The *market* always exists alongside the *antimarket*, but at certain periods in time, world-economic conditions may allow it to extend its reach across borders. Concomitantly, the same world-economic conditions may lead to a deepening and widening of informalization transnationally. I have already discussed the conditions under which this may happen: The weakening of state regulation over “national” economies and advances in communications may allow the Braudelian *market*, and as a corollary the informal economy, to extend their scope and scale across borders.

NOTES

- The ethnographic evidence in this chapter comes from my field study in Istanbul and Moscow during 1996 and 1997. The fieldwork was made
1. possible by a research grant by MEAwards, the Middle East office of the Population Council.

- I define the informal economy as all *licit* economic activities that are not regulated by the state *and* that are taken for economic gain, either in money or in kind. I must emphasize that illegal economic activities, such as the
2. production of and the trade in illegal goods or the illegal trade of some goods, are not included in this definition. An analysis of those activities would

require a discussion of organized crime, which is beyond the scope of this chapter.

3. I italicize the Braudelian *market* in order to distinguish it from other uses of the term, such as a market economy or a marketplace.

For other examples of unrecorded transnational trade between Central and

4. North America, see Roberts, Frank, and Lozano-Ascencio (1999), Portes (1996), and Portes, Guarnizo, and Landolt (1999b).

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Chapter 11

Hyperurbanization of China's Pearl River Delta

Robert G. Dyck and Wei Huang

The purpose of this chapter is to examine the rapid urbanization of the Pearl River Delta, extending from Guangzhou to the South China Sea and including Hong Kong and Macao, in light of the economic and socioenvironmental impacts of globalization. With a total current population estimated at about 30 million, the region already can be thought of as one of the world's largest megacities. Since the long-term sustainability of such large urban regions may be questioned from economic, social equity, and environmental perspectives, this chapter introduces evolutionary dynamics, termed "integral science" by Sally Goerner (1999), as a basis for a more comprehensive systems approach to facilitating sustainability in such regions. This approach contrasts with the long-term cyclical trends orientation of world-systems thinking in that it is based on a multiplicity of interactive discontinuous shorter-term systems that reflect rising or falling levels of intricacy in the organization of nature and society (Goerner 1999:143–151).¹

THE PEARL RIVER DELTA REGION

The Pearl River Delta Region covers 41,596 square kilometers (16,060 square miles excluding Hong Kong and Macau), amounting to 23.4 percent of Guangdong Province (179,766 square kilometers or 69,408 square miles). There are 30 cities in the region to date, including Hong Kong and Macau, and 420 towns. The city and town density is 108 cities per 10,000 square kilometers (3,861 square miles). The number of cities in the Pearl River Delta has increased in the last 15 years. According to growth trends the area is estimated to become the largest community of big cities early in the 21st century. The community

will include Hong Kong, Shenzhen, Guangzhou, Foshan, Macao, Zhuhai, Huizhou, and Dayawan (see Figure 11.1).

In 1993, the urban population of the Pearl River Delta Region was 8,776,000. It comprised 42.7 percent of the overall population of the region. This was 14 percent higher than the average urban-rural population ratio for Guangdong Province and 22 percent higher than the national average urban-rural population ratio. In 1994, the urban population increased to 45.2 percent of the total population of Guangdong Province. But in the year 2000, the population of the Pearl River Delta was 20,560,000, representing nearly one-third of the total population of Guangdong Province. The population density in 1995 was 590 people per square kilometer (or about 1,528 per square mile). Immigrants from other areas in China have favored the region since the Economic Reform of 1978 because of the region's strong economy. Immigration is one of the main reasons for the tremendous population increase in this area. In some of the cities, the number of immigrants even exceeds the number of local residents. Almost half of the population has immigrated from other parts of China. The number of professionals is increasing. This large pool of both skilled and unskilled labor provides an excellent resource for rapidly developing labor-intensive industries in the region.

Ninety percent of Hong Kong and Macau residents came from, or have their origin in, Guangdong Province. Eighty percent of wealthy overseas Chinese are concentrated in Southeast Asia, and 65 percent of this group have their family roots in the Pearl River Delta. Guangdong, Hong Kong, and Macau have long been fused into a unity in economics, culture, and tourism. The Pearl River Delta was the first region in China to introduce economic reforms. The region includes the first national special economic zones, Shenzhen and Zhuhai. It includes the most township-level enterprises and has become China's most frequented tourist area. Guangdong serves as a Chinese window open to the outside, the bridge and bond between the hinterland, Hong Kong, and Macao (both Special Administration Regions) and overseas. Guangzhou, the provincial capital of Guangdong, is one of China's ten most important cities and one of the

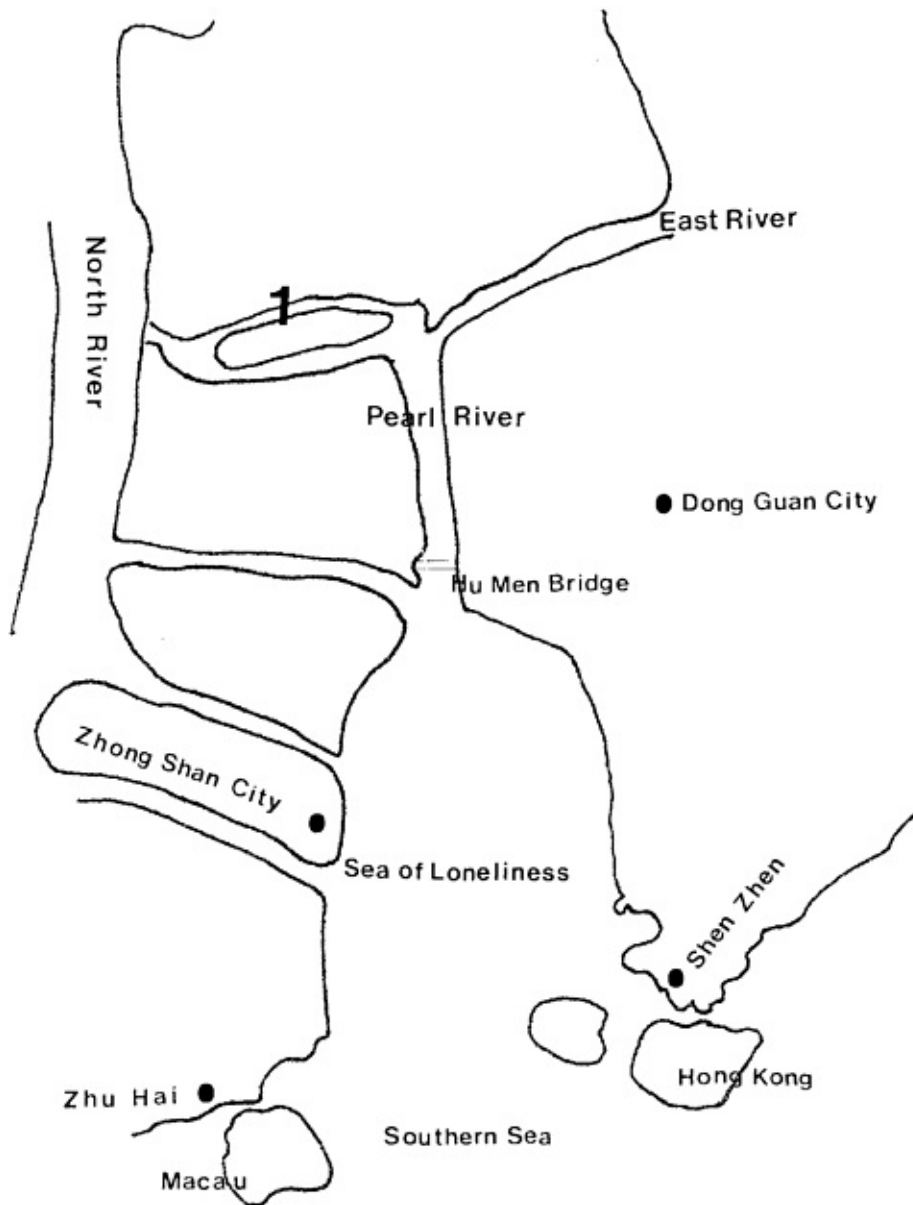
three most important financial centers in China.

The Pearl River is the largest river in Guangdong Province, located in the south of China. The delta area starts from Guangzhou in the north and radiates like a fan to the southeast and southwest. In a broad sense, Hong Kong and Macau are the other two end joints of the delta. The river drains into the South China Sea, which also adjoins Fujian, Jiangxi, Hunan, and GuangXi Provinces. The volume of water flowing through the Pearl River is eight times that of the Yellow River. It disperses into a dense network of tributaries, spreading all over the Pearl River Delta and forming a unique sedimentological topography.

The Pearl River Delta has a long coastline. There are 7,880 kilometers (4,896 miles) of navigable waters around the Pearl River Delta, which has contributed to the development of an extensive network of water transportation. The Pearl River Delta is also rich in agricultural resources. The total area of arable land

Figure 11.1

China's Pearl River Delta (not to scale)



The number 1 shows the location of the four satellite cities of the Guangzhou/Canton area. In this 7,000-square-kilometer area (2,702 square miles) there are 15.1 million people. With a land area of only 1,000 square kilometers (386 square miles), Hong Kong is populated by

6.6 million people. There are 3 million people in Shen Zhen and 1.5 million people in Zhu Hai. In its tiny land area of 2.4 square kilometers (0.9 square miles), Macau shelters a half million people.

is about 693,640 hectares (1.7 million acres). Located in the south subtropical zone, the Pearl River Delta enjoys 3 crops of grain, 7 to 8 harvests of silkworm, and 10 to 15 crops of vegetables per year.

Regional gross domestic product (GDP) increased from RMB11.9 billion (RMB = Ren Min Bi) in 1980 to RMB226.5 billion in 1993, with an annual real increase rate of 17.5 percent. The economic base of the region has changed from agriculture to industry. The composite ratio of agriculture, manufacturing, and services changed from 26 percent, 45 percent, and 29 percent in 1980 to 9 percent, 51 percent, and 40 percent, respectively, in 1993. The standard of living has also improved dramatically. By 1994, the per capita GDP in the Pearl River Delta reached RMB14,239.70, which was the highest in China.

The Pearl River Delta has a well-developed infrastructure. By the end of 1993, there were 49 kilometers (30.4 miles) of highway for every 100 square kilometers (38.6 square miles) on average in the region, significantly higher than the national average. There are six airports (Guangzhou, Shenzhen, Foshan, Zhuhai, Huzhou, and Zhaoqing), of which Guangzhou Baiyun Airport is the busiest airport in China. There are 67 river ports in the Pearl River Delta. In 1994, the total volume of cargo handling capacity reached 220 million tons.

The region's population, GDP, and retail sales of consumer goods accounted for 31.2 percent, 69.6 percent, and 63.5 percent of the province's total in 1995. In 1996, exports of the region amounted to U.S.\$53.7 billion, accounting for 90 percent of Guangdong's total exports. In the same year, the region signed more than 4,842 foreign-invested projects that contracted and utilized foreign capital of U.S.\$12.8 billion and U.S.\$9.8 billion, respectively. The majority of China's export-processing activities are located in this region, which has virtually become a production base for Hong Kong.

The economy of the Pearl River Delta has been oriented toward foreign investment. In 1994 foreign investments reached U.S.\$8.363 billion, 80 times more than 1980. From 1980 to 1991, about one-third of all

construction funds were provided by foreign investment. Seventy percent of all foreign funds received by the province have been invested in the Pearl River Delta. Foreign trade in the Pearl River Delta has developed rapidly. The average annual growth rate for the last 15 years was 27.8 percent. The main exports are labor-intensive products, and the main imports are machinery and equipment, achieving the target of trading labor for foreign technology. From 1979 to 1986, 80 percent of the foreign investment in Guangdong Province came from Hong Kong and Macau. With the return of Hong Kong and Macau to China, the economic integration of the Pearl River Delta with Hong Kong and Macau will be further strengthened, particularly in the areas of human resources, science and technology, trade and financial services, and so on.

The GDP of the Pearl River Delta Economic Zone (established in November 1994) grew 16 percent annually, reaching nearly RMB530 billion in 2000. The zone will maintain an annual economic growth rate at or above 8 percent during the first decade of the next century. The comprehensive plan for the Pearl River

Delta in the year 2010 anticipates a population of 32 million, an urban area of 2,800 square kilometers (1,081 square miles), and an absolute gross national product (GNP) of 42,857 Yuan. The foreign investment is expected to at least double by 2010 from what it was in 2000.

ECONOMIC IMPACTS OF GLOBALIZATION IN THE REGION

Lo (1994:119) conceptualizes the economic impacts of globalization on a large region in terms of the cyclical rise and fall of continuous Kondratieff waves, ranging from the time of early mechanization (1770–1840) to the rise of information and communications (1980 to present). Successive technoeconomic paradigms are displaced about every 60 to 70 years. Schumpeter's (1942) ideas about the successive displacement of technoeconomic paradigms by innovation are also incorporated in the wave model. Based on these ideas, we posit technological innovation and change as major determinants of global structural change.

In the Pearl River Delta, based on this model, we would anticipate an ever more rapid shift from the Fordist mass-production mode to the information and communication mode (fifth Kondratieff cycle), with export to more developed countries as well as to other regions of China and Southeast Asia (Lo 1994:118–124). We may also expect growing levels of socioeconomic disparity among individuals and among subregions of the Pearl River Delta, based on similar patterns of unequal development in other regions of the world.

In contrast, both Mensch (1979) and Goerner (1999) explain structural transformation in terms of S-shaped cycles (see Lo 1994:119, fig. 1). Mensch (1979:72–73) shows how economic change evolves through a series of successive innovative metamorphoses, related to Schumpeter's conception of innovation dynamics but somewhat different in that the metamorphoses take the form of discontinuous S-curves, while the long waves of Kondratieff (1984), Kuznets (1953), and Schumpeter (1942) are continuous.

Goerner's (1999) synthesis of S-curve analysis, which characterizes system transformation processes in general, is based on the speed of

energy flow in nature. Starting from low speed at the point of initial organization of a new pattern in a system, caused by diversity or innovation, the curve represents higher speed during the ascendancy of new organizational structure and declining speed as size begins to reduce efficiency and the system must again either become more intricate or fall apart (see Goerner 1999:143–145, 151, figs.). Goerner's (1999) "integral science" links energy flows in nature with the dynamic evolution of human cooperation, mind, and consciousness, so that the local level based on observation of analogous behavior is linked with the global level. Goerner's model (see figure [unpublished]) online at <http://fbox.vt.edu/W/wdunaway/fig7.pdf>) provides a methodological linkage across traditional disci-

plinary boundaries, making it ideal as a framework for sustainable socioenvironmental transformation.

The recent normalization of U.S. permanent trade relations with China and China's membership in the World Trade Organization both signal the importance of the world's last great commercial frontier, China's huge 1.4 billion population. Economic growth rates of China currently exceed Japan's miracle economy of the 1972–1992 period (Lin 1997). Guangdong Province has experienced very rapid growth in real GDP, averaging 14.5 percent annually in the period from 1978 to 1996. The Ninth Five-Year Plan suggests that the provincial government is targeting an annual real growth rate of some 12 percent annually over the next two decades while Japan's GDP growth rate was 7.9 percent in 1990 (Japanese Statistics Bureau 2001).² Smith (2001) shows that the urban transformation of the Pearl River Delta comes as a consequence of marked changes in capital and labor mobility, driven significantly by investments of international capital. Lin diagrams the relationships of international capital mobility and changes in governance, both in China and in the Pearl River Delta (see Lin 1997:27, fig. 7 and 191, fig. 9.1.).

SOCIOENVIRONMENTAL IMPACTS OF GLOBALIZATION IN THE REGION

The urban spatial pattern of the Pearl River Delta is characterized by high population densities with declining population growth in the metropolitan centers and increasing growth in the surrounding urban agglomerations (Lin 1997). This is true of Hong Kong and other cities in the region, as well as in Shanghai, Beijing, and Tianjin (Laquian 1994:193–196). Since China's urban population statistics are based on administratively defined boundaries, some include low population density areas engaged in farming. At the same time, large tracts of coastal China's so-called rural areas are developing a new, dispersed pattern of urbanization (Cai 1996). Guangdong's population increase from 54.15 million in 1982 to 68.97 million in 1996 shows an average annual rate of increase of 1.95 percent. The natural growth rate in Guangdong averaged 1.44 percent between 1982 and 1996. Using annual provincial natural growth rates to

calculate the increase within the Pearl River Delta attributable to natural population growth since that time, the population would have been 22.99 million by 1996. The actual population was 25.79 million. The inner delta area demonstrated a much higher population density in 1996 than the remainder of the region. The population in the inner delta is increasing significantly, and the locations demonstrating the most rapid growth rate are mainly within the inner delta.³ Much of the population increase is due to outmigration from rural areas. Urbanism as a way of life is on the increase throughout each region, bringing improvements in information technology and potential for improved productivity as well as urban congestion and pollution problems. Urbanization is also blurring the dis-

inction between home and workplace, causing psychological pressures on individuals and their family relations (Laquian 1994:196–197).

The most memorable visual feature of the landscape of the Pearl River Delta is the predominance of skyscrapers for both offices and housing, resulting in very high population densities. Motorized transportation is growing rapidly, gradually supplanting foot traffic, bicycles, and mass transit by bus and train. The highway system of the Pearl River Delta was extended by 3,470 kilometers (2,156 miles) in the 1980s. A total of 30 deep-dock harbors were constructed, six new airports were built, and modern telecommunication systems with direct access to major international networks existed in most cities and counties by the 1990s.⁴ In addition, an American-style freeway connecting Hong Kong, Shenzhen, Guangzhou, and Macao, with an estimated investment of U.S.\$1.2 billion, was completed by the early 1990s (Xinhua News Agency 1992:4).

While high-density urbanization concentrates population that otherwise would likely create even worse ecological damage (Bagliarello 1994:141), environmental quality clearly is a growing problem. The Pearl River Delta Region is the most polluted area in the province due to its rapid urban and industrial development. The part of the river that flows through urban areas suffers the worst water quality. In 1997, the frequency of acid rain in the whole province was 51.7 percent, a reading that has been growing for the last ten years.⁵

Urbanization of poverty is occurring with an increase in the income gap between the rich and the poor. Today China's urban incomes are as much as four times rural incomes due to structural change across provinces (World Bank 1997:8). This provides the context for serious housing, infrastructure, and social equity problems. According to recent figures of the government of Guangdong Province, the number of registered unemployed in urban areas was 878,000, with 533,000 entered into reemployment. At the end of 1999, the registered urban unemployment rate was 2.3 percent.⁶

Women have had to bear special burdens due to the impact of social and economic transformation (Wang 2000:62–82). For low-income women, jobs tend to be menial, and some women end up in prostitution, drug addiction, and crime. Many women serve as heads of single-parent households because of abandonment, divorce, unwanted pregnancies, and multiple spouses (Laquian 1994:199). Although 46.5 percent of Chinese employees were women in 1999, women tend to lose their jobs much more easily than men, because of education differences, social prejudice, and family pressure (All-China Women Federation 2001).

In general, metropolitan governance is weakening in the face of various urban pathologies and decline in quality of life, while pressure on the sovereignty of the nation–state is growing (Perry and Seldon 2000). Lin shows similar changes in his graphics characterizing the spatial transformation both in China and in the Pearl River Delta (see Lin 1997:27, 191, figs.) When Deng Xiaoping, the general designer of Chinese economic reform, made his inspection tour of the southern part of China in 1992, he required that Guangdong should try its best

to catch up with the “Four Little Dragons” in Asia within a 20-year period. And in October of the same year, the 14th National Congress of the Communist Party of China (CPC) also urged that Guangdong should aim to achieve modernization in 20 years (*Outline of Development Plan of Guangdong Province 1992*).

The usual remedies for the displacements of rapid urban development are based on investments in human capital, support for social and welfare programs, strengthened urban management, actions by civil society with nongovernmental organization (NGO) assistance, and sector assistance to women, youth, and the elderly (Laquian 1994:203–211). Additional focus on indigenous entrepreneurship and innovation is needed (Dyck and Mulej 1998) to assure participative equity, a share in the economic benefits of development, and environmental quality based on local as well as regional management. Environmental sustainability is a common concern of the Chinese and U.S. governments. The new China–U.S. Center for Science and Technology, founded by the Ministry of Science and Technology (government of China) and the State of Oregon, with green architect William McDonough as founding chair of the U.S. board of directors, will focus on land use and urbanization (McDonough and Braungart 1992:8–9). Perhaps shared engagement will lead to new ways of dealing with common issues related to the sustainability of urban development in both countries.

SUSTAINABLE SOCIOENVIRONMENTAL TRANSFORMATION

The S-curve approach—in the context of web relationships and intricacy (Goerner 1999)—provides the basis for a new way of conceptualizing sustainability: the ability of a system to transform itself into more complex, more intricate systems without undergoing regression or collapse in the process.⁷ Integral science, because of its focus on mechanisms of cooperation and social learning as well as structural organization, can help make it possible for sustainability to be operationalized as a dynamic balance among social equity, economic development, and environmental quality considerations (see Yaro and Hiss 1996:3 E’s Model). The operational principle is that we must always

try to facilitate increasing intricacy in the interactive systems of concern. By contrast, other models are less able to integrate the necessary information and resources, both human and natural, because they are not as well grounded in principles of organization that are common across all systems. Accordingly, integral science and its corollary conception of sustainability, as outlined above, can augment the world-systems approach with a new set of tools useful for design and planning as well as analysis.

Our focus on the evolution of ever-increasing levels of organizational intricacy, based on localized citizen participation and cooperation (the actions of civil society through *polity*), can provide antidotes to the negative economic,

social, and environmental externalities of globalization. The loosening of central government controls and increased levels of initiative exercised by local governance bodies are identified by Lin (1997) as consequences of increased international investment in the Pearl River Delta. Those impacts provide the context for comprehensive application of our model in that region.

These developments can facilitate local and regional arrangements, based on indigenous entrepreneurship and innovation, in all organizations and processes related to successive cycles of sustainable economic and socioenvironmental transformation. It is perhaps worth noting, in conclusion, that our model's endorsement of a serial ordering of civil society as a basis for governance, and in turn the basis for organization of the business sector, is equivalent to the structuring principles of the classical Greek *polis*.

NOTES

1. Sources for this section were online at <http://www.chinapages.com/> and <http://www.tradenz.govt.nz/intelligence/profiles/>
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3. Ibid.
4. *Renmin Ribao, Peoples' Daily* (Beijing), December 24, 1992.
5. See online at <http://www.gdepb.gov.cn/>
6. Public Information Network, Guangdong Province (2001), available online at www.gd.gov.cn/
7. Ideas from research in progress by Robert G. Dyck, Sally J. Goerner, and Dorothy Lagerroos.

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Chapter 12

“Going Global”: Wannabe World Cities in the Middle East

Bruce E. Stanley

We need a strategy for change that can rally support, combined with clarifying alternatives.... [T]he immediate involves the struggles that go on now at the local level...that impinge on how lives are led immediately. ... [A]ll such struggles are local...and alliances are essential.... [In] the long run, we have to engage seriously in the project of inventing the future system.... We need to debate priorities and the nature of institutions that could implement them.... [U]topistics.

Wallerstein 1999:359–361

INTRODUCTION

Conventional wisdom suggests that the Middle East is not performing as it should. Certainly along a range of criteria, there is no question that there is a problem. Placed in a comparative context with other regions, the difficulties appear even more dramatic. The region appears to be stuck, and the developmental train is not stopping at their station. The causes presented for this underdevelopment remain locked into traditional frameworks of neomodernization and located within the territorialist state level of analysis. Likewise, policies introduced by governments or persuasively supported by international lenders to correct these problems are the usual state-directed ones. Regional-level policies are relatively few, and those that do exist suffer from a similar lack of scope and creativity. In sum, there is a crucial lack of alternative conceptualization and few new ideas.

This chapter proposes an alternative, one that is grounded in the world-system perspective and is, as a result, more historically sensitive to the reality of the *longue durée* in the Middle East. The argument sees Middle East underdevel-

opment within a global historical dynamic, focusing in particular on the interaction of forces, both “above” and “below” the state level, which have generally been ignored in understanding the dynamics and potentiality of the region. By grounding the analysis at the city level, and stressing systems of cities as a crucial engine for progressive development, regionalism is reconceptualized. Cities and systems of cities, and not states, have always been the engines for change within this region; if we return to this understanding, the policies that emerge could make a contribution to regional development and empowerment.

A HISTORY OF DEVELOPMENTAL PROBLEMS

The state-building project in the Middle East has not gone smoothly. The foundations on which the modern Middle Eastern state emerged post-1920 were fragile, and tremendous centrifugal forces consistently undermined the purposes of both the first generation of nationalist leaders and their core backers. Most states in the region quickly evolved a bureaucratic authoritarian structure, with import substitution industrialization as the state strategy for development. High levels of dependency on the core of the world-system carried over from the Ottoman period, and this dependency intensified during the era of huge oil revenues. Rentier economies and corporatist systems within “fierce states” emerged only to begin a process of disarticulation in the 1990s. Fundamental questions of the strength of the state remain, of its continuing legitimacy within the political culture, of the trajectory of its evolution, the artificiality of its delegative democracy, and particularly of its autonomy within the world-system.

Regionalism and the regional project have likewise produced surprisingly limited results. The Arab states participated in the first wave of regionalism with the creation of the League of Arab States (1945) ostensibly to move forward their common vision and restore their “shattered” community. Subsequent extensive institutionalization and commitments under League auspices have produced few tangible outcomes at the regional level. Alternative subregional, state-centric institutions, often encouraged and manipulated by the core, have likewise produced limited economic or political empowerment. Although the last

few years have witnessed renewed state expressions of commitment to limited regional economic projects such as an Arab Free Trade Area (AFTA), numerous factors block the way, and the hoped-for state-level return out of increased regional cooperation is still a long way off.

Actors external to the region have consistently proposed alternative regional projects that serve their interests rather than those of the local community. Two such projects, serving the interests of the core, have conspired over the last five years to detach and distract local elites from autonomous intraregional development: (1) the U.S./Israeli project of a “greater Middle East” under the Madrid formula and (2) the Euro-Med partnership under the Barcelona Agreement. The former is currently on hold given the disastrous results of the bilateral discussions between Palestinians and Israelis. The latter continues to be slowly insti-

tutionalized around the Mediterranean through bilateral agreements between states and the European Union (EU).

For the purposes of this chapter, a number of key themes concerning the underdevelopment of development in the Middle East and North Africa since the 1920s should be stressed, although they cannot be discussed here in depth: The region remains a peripheral region, with only a few states moving into semiperipheral status; the vast majority of policies implemented have only deepened the integration of the region into the world-system; in the structures of credit, information, production, services, and security, the Middle East is more tightly integrated globally than any other region; intraregional linkages remain low; interregional connections with other peripheral regions remain low; the continuing dismantling of the corporatist state has left millions in the region with little justice, opportunity, voice, or protection; institutional actors in the core are powerful players within state boundaries; local elites serve the interests of the core; and any comparative advantage currently possible for the region, primarily built around extraction of carbon-based products, will only be temporary.

AN ALTERNATIVE PARADIGM

If we desire some autonomy of action, improvement in the Human Development Index (HDI), a decrease in the poverty gap, “true development,” progressive empowerment, some delinking, how can it be achieved? How can actors within the Middle East/North Africa region shape their networks and flows in order to enhance their social welfare and power? Alternatives on the ground are few at the moment; resistance to the Washington consensus, particularly at the elite level, remains dependent upon conceptualizations of political space that privilege state sovereignty over all other spatial narratives. As such, perhaps they are bound to fail (Magnusson 1996:9).

The alternative is to identify “more realistic and fruitful lines of observation and thought than we have tried to use so far” (Jacobs 1984:28). Drawing on world-systems theory, urban sociology, and social network analysis, it can be argued that the world-system is organized,

and always has been, around and through its cities (Clark 1999:9). These cities, linked into networks of exchange and flows as “a system of cities,” are the backcloth on which the superstructure of empires, states, and other polities are based (Modelski 1999). These city systems provide the “skeleton; the hard substance, still in evidence in so many cases, around which the flesh and blood of social organisation was to be deployed” (Modelski 1999:385). The unit of analysis becomes the system of cities that emerges from the interconnection between a *set of nodes (cities)* and *the sets of ties (exchange flows)* that link them (Wellman and Berkowitz 1988:16).

Under this perspective, a city can be defined as a spatial location where networks of networks “come together” over a particular period of time to create a complex, dense, and dynamic structural pattern of exchange, communication,

and meaning. Cities are places or “theatres of articulation,” and perhaps “centres of authority,” within their networks (Knox and Taylor 1995:7). Beyond the bounded cities we identify, it is crucial to our analysis to conceptualize other network levels (scales) and thus forms or heuristic notations, important for praxis. No city, by definition, exists alone but is embedded in a range of broader networks that can also be considered:

- *cities/hinterlands*: cities and their hinterlands that “feed” them and with which they are linked; *city dyads*: cities that are tightly linked, through extralocal networks, to another particular city, in a dyadic relationship of fundamental exchange and meaning through which both are partially defined (Beirut-Damascus; Rabat-Casablanca; Cairo-Alexandria);
- *city systems*: cities linked together over time into structural patterns to create systems of cities; this “archipelago of cities” can be conceptualized in two ways: in terms of their *relational* linkages through paths that link them together; or *positionally*, in terms of their similar structural positions within networks; both approaches are useful for analysis.

Relationally, we can focus on

- networks of cities connected by the flows along which they play different roles in the evolution of that particular flow in a division of labor (*global commodity chains* where cities are the nodal points of transformation, i.e., “textile cities”);
- cities linked by the flow of commodities along a *trade route* where cities are nodal points where modes of transport may be altered (Silk Road; Trans-Saharan salt trade; sex slaves from Moscow to Cairo);
- cities that are defined by their *functional networks of exchange* and their position in that exchange (pilgrimage cities, security cities, sin cities);
- *cities in geographic proximity* such that they create a conceptually useful “standard metropolitan statistical area” (SMSA) or single urban area because of the adjoining conurbation (Dubai-Sharjah-Ajman; Damman-Manama).

Positionally, we might compare *cities sharing similar positions in a*

network in a structural sense (colonial cities, port cities, imperial cities, brokerage cities, “central” cities).

Taking this perspective deemphasizes the polity that is the superstructure within which city systems are embedded and opens up the political space. Combinations of city systems may be temporarily associated together under one rubric of state, empire, kingdom, or league, but cities, their networks, and the city systems that emerge remain crucial morphologies for action. City systems are crucial engines for defining identity, accumulating value, and deciding the distribution of value. In fact, we may argue that cities and systems of cities are the core ontological level for the world-economy. Cities are the key site for the working out of politics, and through their networks, they constantly challenge

the constructed boundaries of the current international system. In fact, cities and the city systems in which they are imbedded are crucial heuristics for the world-system perspective (Knox and Taylor 1995:49), since the city is the spatial point where networks are most dense, where space becomes place, and beyond which all conceptualizations of identity are “created” in an Andersonian (1991) sense.

As a result of their interconnections, all cities have some “degree of worldness,” a connectedness into and power in the global world-system that can be evaluated. Since certain cities have more connectedness across some sets of exchanges than others, it is possible to identify cities that have so much “connectedness,” particularly within the global flows of capital and credit, that we need a special concept for them: *global cities*. These global cities are central to the functioning of global capital networks as sites of command and control. In the metanarrative of capital, such global cities are imperative since they “articulate larger regional, national and international economies” (Knox and Taylor 1995:22).

It is this proposition that has driven the study of global cities and the hierarchy of cities found in the work of Friedmann (1986, 1995), Sassen (1991, 1994), Taylor (1997, 1999, 2000b), and others. It should be noted here that the local and the global are not locked into dualistic opposition but are simply heuristic constructs to identify the locus of network action. Thus, we must conceptualize multiple levels of human agency, with people acting locally while thinking globally, or thinking locally and acting globally, or “thinking and acting simultaneously at multiple scales” (Smith 2001:158). Actors are goal oriented and employ their networks at multiple levels to shape their environment.

Given recent changes in the world-system, there is a general push factor driving the creation of new forms of networking and clustering. In a world-system where the spatial narrative is under attack, and new threats/opportunities are arising, actors are moving to enhance the capability of their networks. For example, we can see this dynamic in the “propensity of many types of economic activity-manufacturing and service

sectors alike—to gather together in dense regional clusters or agglomerations,” what one author termed “collective propinquity.” This drive is a “strategic response to heightened (global) economic competition” (Scott 2001b: 822) in an attempt to empower networks in a changing world-system. Likewise, cities and city systems cannot afford to be passive in the face of such changes; they must be proactive in their own interests.

Crucially, this shift of perspective privileges the level of the city system when developing policies for change. Cities, systems of cities, and the nature of their networks can be developed, enhanced, empowered, or modified. The goal of “development” can, and should, be pursued in such a way as to enhance the efficacy of actors within their networks. Policies might seek to:

- empower local power networks versus the formal municipal structure;
- modify the position of a particular city or subset of cities within a system of cities;

- enhance a particular commodity chain, transport route, or conurbation; or
- empower a system of cities within the world-system.

Any or all of these actions could be termed “going global” or “wannabe cities.” Some authors have proposed the term “entrepreneurial cities” to refer to specific types of cities where a local network of elites, often using the formal municipal structures, seek to shape the networks and opportunities of their city so as to enhance its access to resources within extralocal networks (Short and Kim 1999:117). Dubai’s aggressiveness in positioning itself within the international system is an excellent example. Likewise, Istanbul was “going global” when it linked itself into both the trans-Balkan and Iranian rail networks.

However, we need a broader concept of “going global,” where actors develop and implement a range of policies and actions to enhance the characteristics of their networks in the interest of empowerment. Municipal governments may pursue such policies for themselves, or other actors at other levels, such as community-based organizations, state ministries, business associations, regional organizations, or international governmental organizations, may also evolve policies to pursue such goals with or for them. Developmental strategies that ignore this level of analysis are missing a crucial context in which change can be effective. “Cities are unique in their abilities to shape and reshape the economies of other settlements, including those far removed from them geographically” (Jacobs 1984:32). Ultimately, the argument is that there are new possibilities for multitiered reciprocity and that cities embedded within city systems are an appropriate new/old political space for policy articulation.

Since cities are embedded within the world-system, the nature of the dynamic between the two is crucial to formulating policies. There is a correlation between the development of city systems and the development of the world-system, although the hypotheses vary as to the

relationship. Modelski (1999:392) suggests that the development and dynamics of city systems drive the rise and evolution of world-systems. Frank (1998) and Abu Lughod (1991) share this view when they suggest that city systems provided the engine within dynamic regions interlinked as a world-system from A.D. 1250 to 1800. Clark (1999:9) argues that “explanations of urban development lie in the social and economic characteristics of successive forms of capitalism.” Taylor (2000b) makes a similar claim when he suggests that “globalization has de-nationalised cities in important respects: no longer so truncated, they have transmuted into world cities.” Smith (2001:183) offers an intermediate alternative when he says we must “study the effects that global policies and transnational networks have on cities, local power structures and ordinary people’s lives, and the effects that particular cities and their people have on these networks of power, meaning and identity.”

Friedmann’s (1986, 1995) and Sassen’s (1991, 1994) arguments privilege the economic structures of global capitalism and the “new phase” that has emerged since the 1970s. This conceptualization suggests that we must see cities as

major new sites/roles in the new world order. The spatial restructuring of the urban results from economic processes within the world-system. It is within cities where global capital must be spatially located, resulting in the appearance of global cities (Short and Kim 1999:11). Progressive development, as implied by this approach, should aim to “move up the hierarchy,” to aim for global city status, but with a human face. The policies required are to facilitate the location of service sector, capital and FIRE (finance, insurance, real estate) corporations within the city, while working for a more equitable distribution of social resources.

An alternative narrative challenges this view and suggests that an agency-oriented, grassroots perspective termed “transnational urbanism” more completely and correctly conceptualizes what is currently happening in the interaction between the world-system and the urban world. The view rejects the emphasis on global economic forces and global capital as deterministic (Smith 2001:2). The state is not dying, and global capital is not all-powerful. Instead, the dramatic changes combined under the term “globalization” must be localized on the ground; if we fall into the trap of downplaying the role of the state, we will miss the continuing significance of borders, state policies, and national identities. Thus we want a world-system perspective that holds that global processes are shaping the options of the composite units and encourages investigation of this; but we must also explain/understand the way actor choices and dynamics may impact the world-system. Grounded within networks, globalization is opening up options or political space to world cities and their networks. The job of the analyst is to understand how such networks are both empowered and disempowered by changes in the world-system.

In particular, the second view focuses attention on the space for empowerment that networks may offer. It suggests that developing policies to empower grassroots networks within cities will have important spillover effects into the empowerment of people (democracy), in limiting the negative effects of globalization, and in enhancing social welfare. In this way, we may be able to follow Wallerstein’s (1999:360) suggestion to “engage seriously in the project of inventing the future system.”

INSIGHTS FROM THE MENA REGION

Where are the world cities of the Middle East and North Africa (MENA) today? Are there any global cities or degrees of worldness on which we can build? What systems of cities could be used to center and empower the MENA region? If we apply the framework of the global cities ideas of Friedmann (1986, 1995) and Sassen (1991, 1994), a review of the MENA region shows that it has no global cities, and most of its cities and city systems are not even on the radar screen of the global capitalist system. This dismal showing for MENA cities can be seen in the "Roster of World Cities," produced by the Globalization and World Cities (GaWC), Study Group. In reporting the GaWC findings, Beaver-

stock, Smith, and Taylor (1999) review other studies that employ a range of criteria to evaluate world-city rank. The consensus is that only Manama, Cairo, Istanbul, and Tel Aviv have any of the service characteristics required to list them as “world cities.” They then develop a stricter set of indicators based on the provision of corporate services. Their findings for world cities based on “different degrees of overall corporate service provision” confirms the poor linkage of MENA cities into the global capitalist command-and-control structure. They find that of 122 world cities MENA cities emerge far down the list (global cities gain a top score of 12):

- Istanbul (a Gamma World City with a #4 ranking)
- Tel Aviv (showing relatively strong evidence of world-city formation with a #3)
- Abu Dhabi, Cairo, Dubai, Riyadh (showing some evidence of world-city formation with a #2)
- Tashkent, Tehran (showing minimal evidence of world-city formation with a #1)

Perhaps one key reason the MENA region is not doing well is the weakness of its city system within the world-system—this “structural hole” at its heart?

This lack of centrality across key command-and-control networks for global capital may represent the current situation in relation to global capital but misses both the historical context as well as other aspects of command and control that are articulated throughout the region. The MENA used to be central across a range of networks and flows. The current lack of centrality is only a recent phenomenon in the *longue durée*. Middle East history is the history of cities as the key polities. Empires came and went, but city systems as the key locus for economic development of the region in the form of markets, trade, production,

capital, continued. Compared to other regions, the MENA has longer experience with the urban world, was more highly urbanized earlier, and had a more central role for cities in the political, spiritual, and security life of the people than anywhere else on the planet.

The city systems of the region were “the” world system from 4000 B.C. to the classical era, with the largest cities and central city networks. Gradually the periphery (the Mediterranean, India, and China) experienced urbanization and became interlinked, from Britain to China, through the mediation of city systems in the MENA (Modelski 1999). Likewise, the MENA experienced the rise of Islam as part of a new polity that shifted some of its city-based networks of exchange.

Janet Abu Lughod (1991, 1996) stresses the historical continuity of MENA city systems with her focus on the eight key interlinked city systems within the world system of the A.D. 1250–1350 period. Frank (1998), Wallerstein (1999), and Braudel (1984) all emphasize the relative centrality of MENA city systems for the rise or functioning of the world-system in the 1400 to 1800 period. Scholars of the Ottoman period have demonstrated the interconnectedness and

centrality, during the 16th to 19th centuries, of Aleppo, Istanbul, and Izmir for trade/production across China/India, Persia, and Europe. Production and exchange included the widest possible range of goods and services, including military equipment, shipbuilding skills, technological innovations, and administrative forms. A quick look at the comparative population figures for MENA cities versus those outside the region highlights the overwhelming size and continuous urban importance of these cities—Cairo dominating Europe, Africa, and west Asia from 1200 until 1500, with Istanbul the largest city outside China from 1500 until 1750 (Chase-Dunn and Willard 1993).

Ironically, it is not until we get to the imperial imposition of the modern state form in the region post-1860s that our analytical bias toward cities and city systems in the MENA begins to disappear. Both analytically, as well as at the policy level, the concept of the state and of a national economy with sharp boundaries and control over its cities makes its appearance concurrent with the Western colonial regimes. Until today, the state-centric bias of data, the state narrative of boundaries, and the artificiality of the concept of a national economy hide the importance and interconnectedness of the city systems in the region.

Post-1920, the history of the state project in the MENA contains numerous stories of state/city conflict as nascent state institutions struggled to “establish control” over cities and to subject them to centralization. In many cases, city elites put up a significant struggle and at times were successful in shaping policy for their own purposes. The relationship between Istanbul and “Turkey,” for example, or that between Aleppo and “Syria,” or Baghdad and the new “Iraq,” are illustrative. Ultimately, all cities were “nationalized” to some degree, experiencing both political and economic truncation (Aleppo and Istanbul), while some became empowered (Amman).

After 1945, the state clearly dominates the region, with cities being bent to the will of the centralizing, authoritarian, national state project. The autonomy, exchange linkages, infrastructure, and public space of cities were subverted. Occasionally, however, elites within individual cities

within the polity “rebelled” and captured the heights of the state. Struggles between city networks for domination of the state often broke out into elite conflict, as in Syria. The struggle for control of Algiers between the colons and the National Liberation Front (FLN) was symbolic of the struggle in Algeria. However, the best evidence for a continuation of the importance of cities can be seen both in the central role they played in the import-substitution-industrialization strategies of the state, as well as in the resistance to state policies expressed by local political movements and riots within the cities of the region.

Dramatic shifts in key characteristics and dynamics of urbanization and urban growth occur within the region post-1960. Issues such as primacy and urbanism, environmental degradation, and the informal economy become a focus of concern, policy, and analysis.

It is important to note here that the vast majority of urban analysis on MENA cities during the 20th century assumed a state-centric focus, buying into the

Western concept of a national economy within which cities serve the government, the artificiality of conceptualizing flows as ending at state boundaries, and an ignorance of world-system effects. Often they reflect a negative view of the Middle East city as *dystopia*. Thus, when urban problems emerged as a focus for concern post-1960, the solutions proposed revolved around state agency. State funding, state planning, state initiative. There was little awareness of the networked nature of the city, and no power associated with any level other than that of the state.

With the rise of a new paradigm on cities, emergent from changing realities and enshrined in the global cities literature post-1986, numerous studies of particular cities, of global cities, of city regions have appeared in the social science literature. This extensive collection, however, contains few references to MENA cities. Ironically, there is a structural hole concerning MENA cities within the study of world cities, just as there is a lacuna within the policy and regionalism literature. Cities in this region are not on the world map.

One way to begin to lift the veil covering the worldness of MENA cities and their historical continuity is to broaden our definition of “world cities.” Keeping to the service concerns elucidated by Friedmann (1986, 1995) and Sassen (1991, 1994), but looking beyond the narrow sectors considered in their work, an alternative sense of worldness emerges. For example, an interesting concept has recently appeared, termed the “creative industries.” These industries fall within the service sector but represent one of the fastest-rising contributions to city income. They include architectural design; fashion industry; graphics computer design; publishing; games and software; interior design; landscape design; furniture; music; cinema and cinema production. For Britain, for example, in 1999 the income from this sector was £112.5 billion, employing 1.3 million people and producing 5 percent of gross domestic product (GDP). In the MENA, a cursory review would highlight the Egyptian film industry and its major role as a “guidance industry,” as President Jamal Abdul Nasir termed it when he nationalized it in the 1960s. Since 1935 the film industry has been an important sector for the Cairo economy. In the last four years, with international investment, local initiatives, and new tax

laws, the industry has seen a revitalization and expects to expand during the next decade. A related but less significant moneymaker for Tehran would be the Iranian film industry.

Other examples of “cultural industries” in the Middle East include Gaza, Cairo, Beirut, and Amman with their growth in software development; Dubai with its hosting of the Fashion Fair; Beirut’s growing design and fashion industry (with products manufactured by low-cost labor in Damascus); and the music industry in Istanbul. This latter sector has established key contracts with global transnational corporations (TNCs) like PolyGram in order to deal with the changing requirements of shifting markets. For the music industry in Istanbul, with its \$130 million in sales in 1999, the pressure of the EU to deal with problems of piracy have encouraged a sustained response. In sum, there is enough evidence to investigate further the cultural industries and the global

commodity chains that emerge from them. MENA cities may have greater centrality across these or other networks of exchange than they do on service indicators like law or accounting.

Another sector that might help us evaluate MENA worldness is transport. Some literature exists that evaluates the development of transport flows among cities in the world-system. These studies do not focus specifically on MENA, but by using network data to examine the linked nature of these cities, they suggest interesting changes in position and flows. In a study of transport linkages among world cities, Keeling (1995) found that Cairo was the only Middle Eastern (ME) city registering on his global air transport network because it had a “regional center” profile. In their study of Asian cities, Shin and Timberlake (2000:2273) evaluate changes in airline travel, seeking to identify “the sets of cities in which each city member is reciprocally and directly linked to each other.” Their analysis indicates that Dubai is part of a clique with Bombay, Colombo, and Karachi. It also shows that Dubai has been 1 of the top 20 cities in the world in terms of its centrality in the overall system of global cities since 1991, when it first appeared on the list. It was the first Middle East city to play such a role (Shin and Timberlake 2000:2279). Other MENA cities considered in the analysis but “scoring” poorly due to their insignificance as nodes in the global airline system included Cairo, Damascus, Kuwait, Larnaca, Riyadh, Tel Aviv, and Tunis. Seeing the MENA through the lens of global air transport clarifies the lack of centrality for the region. Dubai may not have been “on the global map” in 1992, but by 2000 it was linked by 78 airlines directly with 125 other cities, and it was handling 12 million passengers per year. Such statistics remind us how temporary any rank is, for city rankings can change dramatically due to city initiative, conflict, or technology. Beirut learned this to its dismay during its 15-year civil war.

A focus on representative cities in the region may allow the flavor of their historical development and degree of worldness to emerge. Rabat, for example, appears to deserve the title of a world city. It is a political and administrative center but also a key industrial node. Significantly, to understand Rabat’s position in the world-system, its symbiotic dyadic linkage to Casablanca, one of the leading ports in North Africa, must be

considered. Rabat is deeply involved in official urban networking with other world cities. It is a member of numerous city-based regional and international organizations, including the United Towns Development Agency (UTDA) under the United Towns Organization (UTO); the International Union of Local Authorities (IULA); the World Association of Major Metropolises; the Arab Towns Organization; the Organization of Islamic Capitals and Cities; and the World Capitals Forum. Twinning relations, for example, the one with Barcelona, occupy considerable time for the municipality. Casablanca also networks this way. The Executive Board of the World Federation of Twinned Cities held its 2001 annual meeting in Casablanca, and the city is the home of the Arab Fishery Marketing Center (INFOSAMAK). The Rabat-Casablanca conurbation is deeply linked with the EU and particularly with

Spain. Recently, Rabat has become the site for backoffice setups for Spanish TNCs like Telefonica. The company established a new call center in Casablanca to go with ones in other Moroccan cities and laid a new fiber optic cable to facilitate this industry. Telefonica employs Spanish speakers and has invested \$2 billion over the period 1998–2001. Urban industrial growth over the last decade has been high, and Rabat-Casablanca continues to push for further foreign direct investment (FDI). The electronics components sector is the current focus, with STMicroelectronics joining Boeing and Volkswagen in the 100 percent growth of the sector since 1995.

In an attempt to attract further FDI, Rabat-Casablanca is working hard to upgrade both connectedness and its aura as a world city. New inter-and intraregional transport routes, with Casablanca-Rabat as the Atlantic terminus, have been opened to Spain, France, and Italy and across the Maghrib. The urban elites are “going global” with their bids to host the World Cup. They were unsuccessful in 1994, 1998, and 2006 but now are bidding for 2010. Likewise, the push to host the Olympics and continued exposure in sports such as track, cycling, and the Davis Cup are all part of urban promotion. Ultimately, the message is clear. Rabat-Casablanca is “going global,” positioning itself as *the* entrepot on the Atlantic for North Africa and promoting its networks into North Africa, Africa, Europe, and the Middle East.

Cairo has a longer history than Rabat and is “one of the most important urban communities ever known to man” (Abu Lughod 1996). Urbanization in the area of modern Cairo goes back to 2000 B.C., with the Egyptian empire of 1200 B.C. organized around a six-city subsystem that was part of the larger Middle East city system of 22 cities (Modelski 1999:392). The global reach of Cairo, founded in A.D. 641, varied over the centuries, reaching a peak in 1200–1500. Recent population growth has made it the largest metropolitan area in Africa and the Middle East, one of the key megacities in the world. Greater Cairo now incorporates urban areas all the way to Alexandria as well as second-tier cities built around the Cairo core. Within this Cairo-Alexandria conurbation, over 22 percent population growth is expected over the next few years.

Like Rabat, Cairo's municipal leadership is participating in global urban networks for support and empowerment; it is a member of all the global urban organizations to which Rabat belongs. Also like Rabat, Cairo's elites are working hard to position the city within key networks of the global economy. For example, the vision is to create a "Delta Valley," like the Silicon Valley, around Cairo. Currently there are over 300 software companies within the standard metropolitan area (SMA). However, none are globally significant, with no Egyptian communications companies trading on the New York Stock Exchange, for example.

Other growth industries are ones where Cairo is central to regional command and control: tourism, pharmaceuticals, and construction. Cairo has hosted numerous investment conferences to attract investors, particularly in the areas of energy, transport, wastewater, and chemicals. In sum, there are important signs

of a city on the move, of a city where local elites are shaping policies to pursue a global vision for the city, but where the role of the national government remains quite heavy and still serves to stifle development and to control local resistance.

Compared to Cairo or Rabat, Dubai has been even more aggressive at going global. It is one of the most entrepreneurial cities in the MENA, known in the region as the “city of merchants.” Essentially a city–state, with an urban area running from Jebel Ali in the south to Sharjah in the north, Dubai had a population of 25,000 in 1948. By 1996 it had reached 695,000, and the projection for 2012 is 2.2 million. About 15 percent of this increase is expected to result from in-migration of highly skilled labor in the upper-and middle-income categories.

Although the city itself traces its growth only from the mid-1800s, the harbors and people along the northeast coast of Arabia have been part of the world-system from 4000 B.C. Beginning with the city systems of Sumer, a thriving caravan and maritime trade operated throughout the area. The same was true during the Hellenistic, Roman, Byzantine, and Islamic eras, with settlements involved in the production and trade of incense and livestock, as well as the transit trade with Iran, the Mediterranean, and Africa and across to India.

The modern city of Dubai began to emerge around 1833 with the growth of regional trade and renewed connections to the Indian Ocean. Pearling and fishing also provided important international links. During the British imperium, Dubai became the key trading port of the Trucial States. New technology brought increased centrality (the British/Indian Steam Navigation Company, for example, shifted its port of call to Dubai in 1903), and informal linkages marked Dubai as a leading smuggling port along the Arabian coast. The progressive social “feel” of the city set it apart from other ports along the coast, and this attracted other traders and in-migration, making it the key entrepot in the northeast.

Oil revenues began to arrive in 1972, but since their reserves and thus revenues are limited, the city leadership has been forced to plan for a

nonpetroleum economy based on its trading and transport base. Airport construction, the biggest deep-water port in the Gulf, and a free port at Jebel Ali were all quickly developed. The city has been aggressive in attracting banks, and legislation and tariff barriers to trade are low. Dubai is also diversifying into high technology, shipping and cargo, and tourism. All three depend on the strategic location of the city, brokering exchanges stretching from South Asia to Central Africa and into the former Soviet Union.

On the high-tech side, the government is spending billions to create an information city for the future, the Dubai Internet City (DIC). Established as the world's first free trade zone for e-business, the goal is to house the "entire value chain" for the Internet industry within its grounds as a one-stop shop for innovation, investment, and development. A related development is the Dubai Media City, opened in 2000.

Other than the covered souk (marketplace) in Deira, Dubai has little in the

way of a traditional city center, or *madina*. As a result, the city lays its cultural claims on its modernity. Dubai has become the party capital of the Gulf, with the most nightclubs and nightlife. Additional cultural exposure comes from hosting top-quality sporting events, including world-class golfing events, international tennis, rugby sevens, and the largest-purse horse racing event in the world, the Dubai World Cup. Such “show pieces,” along with more traditional sports such as camel racing and hawking, are part of the active selling of the city and its cosmopolitan nature.

Dubai is the most aggressive “wannabe city” in the Middle East, working hard to position itself like its models Singapore and Hong Kong. Consequently, Dubai faces a continuing struggle to stay competitive in the global political economy of the 21st century. Dubai’s Strategic Development Plan of 1996 laid out the city’s 20-year goals, setting 6 to 7 percent annual growth targets for real nonoil GDP. The city’s ability to meet this aggressive plan will depend on fluctuations in oil revenues, competition from other cities in the region, and general trends in the world-economy.

Less like Dubai, and more similar to Cairo, Istanbul has a built environment and an imperial history that shape the position of the city in the world-system. Given its geography and centrality in two of the world’s most important empires, one would assume that Istanbul is a global city. However, its potential has yet to be actualized (Keyder 1999:188), although it ranks higher than other MENA cities on all global city criteria. Like other MENA primacy cities, almost one half of the national wealth and income of the state emerges from Istanbul, creating a situation where “urban and national politics tend to merge” (Keyder 1999:196).

The proverbial conflict between “state” and city is well exemplified by Istanbul’s history. Whether in the darkest days of the Crusader occupation of the Byzantine throne, or with the capture of the city by the Ottomans, the centrality and power of this imperial city to shape, define, and empower empire are clear. The city was the empire, and its capture and control, whether physically or metaphorically, was crucial to the

survival of the superstructure. Even more starkly, Attaturk's national project required stripping Istanbul of its position, networks, and centrality because of the competition it represented to a new, competing narrative. Dramatically, by his death, even Attaturk realized that he had failed to sublimate the city. Today the state continues its struggle to constrain Istanbul's elites, image, networks, and autonomy. Developments in the world-system exacerbate this conflict, with "the struggle of the international bourgeoisie and the new professional and managerial classes of Turkey for the city's soul is in fact a struggle for the future orientation of the country as well" (Keyder 1999:196).

Within the city, class distinctions are dramatic. The global city literature stresses the divisive implications of global city status, and Istanbul is an excellent case study. In the struggle among competing narratives to define the city,

all Istanbulis have bought into the globalization narrative, and although they express it differently, all utilize, and find they must utilize, the related concepts of exceptionalism and global potential to define their vision of the city within the give and take of local politics and debates over public space (Keyder 1999:194). Islam has provided the primary logic for local organization and resistance to the forces of globalization, partly because it itself has a global narrative and a Middle East referent, thus providing a vocabulary that “credibly ranges over the same territory as a homogenized global culture” (Keyder 1999:195).

Like Rabat and Dubai, Istanbul’s leadership have worked hard to present a culturally globalized face to investors. Olympic bids, conferences like Habitat II, and international-level sports teams are crucial components of this representation. Equally, Istanbul, like Rabat and Cairo, participates in global networks of cities, including the important World Association of Major Metropoli. In a recent network analysis of European world cities, the Loughboroh Study Group on Globalization and World Cities found that Istanbul was part of an outer triangle of cities that have strong “world city” characteristics in terms of certain key service sectors but that it lacks others, making it a part of a collection of “un-European” cities linked into the core of European cities. Constrained by its various linkages, Istanbul may be better served by maintaining its position as a broker between the MENA and European regions.

Beyond particular cities, there are limited policy initiatives at the regional level to strengthen and empower city systems. The Arab Town Organization (ATO), under the League of Arab States, has produced little of substance since its purpose is regional and international technical cooperation and exchanges of experience (see www.ato.net). ESCWA (Economic and Social Commission for Western Asia), dedicated to enhancing regional development and empowerment under UN auspices, has responded to urban developments in the region by collecting data on urbanization within member states, by implementing selected projects, and by participating in international fora (see www.escwa.org.lb/divisions/social/settlements.html). The World Bank’s “Mediterranean Development Forum” has facilitated discussions on urban

issues, including regional linkages among urban centers, Mediterranean links with the Gulf, and policies for regional development (see www.worldbank.org/mdf/mdf4/workshops/3-localgov.html).

Compared, however, with regional or subregional city-system projects in other regions such as Asia and Europe, the MENA again demonstrates a “structural hole” at its heart. Other regions are using city-system strategies as a component of their development package. Important projects within Europe such as Eurocities, Metrex, or Medcities combine with a long tradition of awareness of “city spines” and cities as engines for growth. In Asia there are cross-border networks, “triangles,” and key dyads, all implementing aggressive policy initiatives to enhance development and autonomy. These “wannabe world cities,” beginning to work together within city systems, appear to be making significant contributions

to development, are influencing governance patterns, and have evolved municipal foreign policy or “city diplomacy” to a new level.

The MENA experience suggests the following generalizations:

- Cities in the region are not global capital command-and-control centers, but they do have important degrees of worldness that do not “register” if we restrict our analysis to the more narrow global city service sector criteria.

- Cities in the region have been part of a system of cities that shifts and evolves over time, upon which various polities and structures have imposed themselves historically.

- During the last 150 years, MENA cities and the networks in which they are embedded have been in conflict with the “fierce states” that emerged in the current era. Recent shifts in the world-system have opened up new opportunities for MENA cities both as actors as well as sites for various other actors to expand, modify, transform, or empower their networks within their local, state, regional, international, and global context.

- Some MENA cities are aggressively going global, but the policies pursued have primarily been along expected lines (tying more closely into the global economy via infrastructure, investment promotion, cultural attractions, and regulation) and within spatially bounded narratives rather than through regional or city-system projects for progressive development.

- MENA cities are experiencing various pressures for change in governance and voice. In addition to pressures from the world-system, developments in grassroots organizing and resistance are building pressure for new thinking. Other changes are resulting from the pull-back of the state, with a decrease in state centralization and a cutback in state monies. A third momentum for change is emerging from greater aggressiveness by local business and municipal elites, resulting in greater demands for autonomy.

MENA city systems are the result of agency by individuals within cities expanding, building, and utilizing their extralocal networks. Most resultant

- exchange networks are private or nonstate. City-to-city linkages among municipalities in the region are mediated by state-level bureaucracies and serve state interests. Thus there are and can be clashes in interests among these actors moving to empower and utilize their networks.

- MENA city networking can be effected by policy, just as networks are effected by changes in technology, conflict, or world-system dynamics. Such changes can be rather sudden and quite dramatic.

A NEW APPROACH TO MENA DEVELOPMENT

What is to be done to create an “archipelago of MENA cities,” to empower a “fertile crescent” of interlinked cities? One set of policies could focus on enhancing the flows or exchanges among the key alpha cities (major spine) of the region (Rabat-Cairo-Beirut-Dubai-Istanbul-Tehran) in order to strengthen their interconnectedness via their other connections. This would involve increasing transport, communication, and energy exchanges through infrastructural development and enhancing the flows of labor, capital, expertise, services, and

trade among these cities through regulation adjustments, incentives, and institutional cooperation.

Second, this alpha core must be embedded, in similar ways to those argued above, within a stronger network of beta cities (minor spine), regional in conception, which would enhance flows and exchange (Baghdad-Aleppo-Aqaba-Damascus-Khartum-Casablanca-Ankara-Riyadh etc).

Third, policymakers should look to enhance specific geographic commodity chains and trade subsystems whose transformation could empower the dynamics of the beta and alpha system: Beirut-Damascus; Cairo-Alexandria; the Red Sea city system; the Gulf city system; the Maghrib city system; the Istanbul-Tehran transport link. Such a strategy could operate on local levels as well, enhancing the density and flows among the seven Bedouin Arab towns in the Negev (Lithwick 2000). As part of a renewed peace process, Haifa, Beirut, Tyre, Sidon, Tel Aviv, Damascus, Amman, Jerusalem, Ramallah, Nazareth, Jenin, Nablus, Irbid (all within a 75-kilometer [46.6-mile] radius of each other) could be linked together, creating a dynamic engine for peaceful development.

Fourth, decision makers should seek complementarity among cities, joint planning and consultation, data sharing, and linked enhancement to support already existing “natural” conurbations. Already in the Gulf there exist a number of standard metropolitan areas (Dammam-Manama, Al-Ain–Bouraimi, Dubai-Sharjah) that transcend existing political boundaries. The MENA has other such cross-boundary entities—Eilat-Aqaba, Basra-Abadan, Gaza-Askelon—whose cooperative development would empower the region but are currently divided by artificial boundaries and bureaucratic walls. Power must be decentered from states so that creative municipal cross-boundary arrangements can emerge as required.

Other strategies might include promoting epistemic communities, action nets, or policy networks among actors in cities throughout the region in order to increase dialogue, remove constraints, modify policies, or

develop and share data. Empowering cities and city systems will not result only from the actions of policymakers within municipal governments, state authorities, or international donors. It also emerges from the actions of community-based organizations to defend their neighborhoods, from municipal governments developing their own municipal foreign policies or regulations as acts of resistance, and from the masses of urban dwellers finding direct and indirect ways to resist the power of the world-system and of the state in their lives. Transnational oppositional politics emerges from multiple acts of agency (Smith 2001:164).

City and city system–level policies will not be developed or implemented easily. Elites profiting from the state structure will not devolve power and resources without a struggle. Yet the MENA city has already shown autonomy of action, and city systems exist. There is perhaps more strength and potential at this level than expected. No matter their inclusiveness into the chains of globalization, inhabitants of cities like Rabat, Cairo, Istanbul, and Dubai appear to be aware of a new level of possibility for Middle Eastern cities. Local discourse,

representation, arguments over public space, and identity are now reflecting an awareness of the global and of the local at the same time. People are using “transnational” linkages to further their local interests, and this both empowers them and modifies the discourse within the city–state dynamic.

The development discourse once argued that national boundaries confined the limits of social change and that the battle was “between the state as modernizer vs. society as the locus for tradition.” We now realize that this narrative was simplistic and intentional and that our conceptual tools were wanting. More important, this view disenfranchised the community in the process. If we want empowerment, improved social welfare, resistance, and employment, we must recenter the level of city networks and their linkages to other cities in our calculations, since it is at this level where citizens utilize their “transnational” or extralocal networks for exchange and empowerment.

We certainly do not want thoughtless deeper integration and increased dependency with the core of the world-system. Current policies only promise this. By returning to a reconceptualized sense of the MENA region as a city system based on nodes embedded within networks of exchange, we may (re)invent the future system, as Wallerstein suggests. Is this such a radical idea, this utopian alternative to the dystopias of the failed state, the failed region, the failed autonomous city? It is not radical, just revolutionary.

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Part II

Antisystemic Resistance in the 21st Century World-System

Page 172

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Chapter 13

Indigenous Resistance to Globalization: What Does the Future Hold?

Thomas D. Hall and James Fenelon

Many writers have predicted the demise of indigenous peoples globally and especially for native nations in North America. Late 19th century Commissioner of Indian Affairs Thomas Jefferson Morgan proclaimed that “the great body of Indians will become merged in the indistinguishable mass of our population” (Iverson 1999:16-17). Not only are they “still here,” but they are also one of the fastest-growing segments of the U.S. population (Nagel 1996; Snipp 1986, 1989). Globally, indigenous peoples number some 350 million and possibly more, depending on how one defines “indigenous” (Stavenhagen 1990: Ch. 8; Wilmer 1993). However, confrontations and conflicts between state and nonstate peoples are as old as states themselves (Chase-Dunn and Hall 1997). States have been singularly successful in displacing, absorbing, incorporating, assimilating, or destroying nonstate peoples for 5,000 years. How and why have indigenous peoples survived five millennia despite the onslaughts against them?¹

We begin with a few sketches of the ways indigenous peoples have survived. We then reexamine some conceptual issues surrounding indigenous survival. This reexamination leads to questions about the origin, nature, and functioning of the capitalist world-system. It also directs attention to the puzzle of increase in identity politics and ethnic conflict in recent decades. Finally, we use the exploration of indigenous survival to suggest a few general lessons about resistance to the expansion of global capitalism.

EXAMPLES OF INDIGENOUS RESISTANCE TO GLOBAL CAPITALISM

Indigenous resistance to global capitalism is worldwide, diverse, and yet loosely interconnected (Wilmer 1993; Perry 1996). Many forms of

resistance

shift or masquerade as something else. For instance, the Zapatista rebellion is often described as a regional, peasant rebellion. It is less often discussed as an indigenous Mayan rebellion. The American Indian Movement (AIM) is typically seen as a U.S. racial rebellion. Indigenous resistance struggles are worldwide: the Saami in Norway (Eidheim 1969); Kurds in West Asia and Miskitos in Nicaragua (Gurr and Harff 1994); many groups in Asia (Steinberg 1987; Barnes, Gray, and Kingsbury 1995; Sponsel 2000); and of course the United States (Champagne 1989, 1992).

These movements are so diverse, so fluid in organization, goals, and methods that they all but defy summary. Probably the most salient difference from more typical worker-and class-based forms of resistance to global capitalism is the emphasis on local community, identity politics, land claims, and rights to a variety of traditional practices from matrilineality to the use of psychoactive substances. Many of these practices contradict, challenge, or threaten deeply held values in state-based systems. The most fundamental challenge to capitalism, though, comes from communal ownership of resources in that it denies that private property rights are universal in human societies. Indeed, indigenous peoples have long recognized what many environmental movements are beginning to force capitalists to accept: Resources are always partially, if not wholly, “public goods” (to use the terminology of economists).

Another form of resistance has been overt, conscious efforts to maintain “traditional culture.” These are not attempts to maintain a static, unchanging tradition but rather attempts to maintain some control over their own cultures. Culture building can also be a form of resistance. A key mission for most of the 31 tribal colleges in the United States is to promote and enhance traditional culture, language, crafts, and customs (Boyer 1997).

Resistance can also take the form of building other localized institutions based on traditional values. The Diné (Navajo) have “peace maker courts,” which pursue resolution of disputes among Navajos through

means that are in accord with Navajo concepts of harmony and avoiding adversarial techniques of Anglo courts. Northern Cheyenne women have adapted conventional 12-step programs that combat alcohol or spouse abuse to promote Cheyenne family values (Baird-Olson and Ward 2000; Ward, Stander, and Solom 2000). Native American feminists focus on issues of identity and cultural preservation rather than on middle-class feminist issues (Jaimes, with Halsey 1992; Chiste 1994; Miller 1994; Shoemaker 1995). Maintenance of matrilineal family systems, especially property ownership, is a form of resistance that comes at a great price, since missionaries and bureaucratic functionaries attack it as “barbaric,” unchristian, or chaotic.

Maintenance of religious practices that anthropologists are wont to call shamanism asserts an entirely different way of approaching the supernatural. Indian groups have protested attempts of “new age” adherents to appropriate indigenous traditions (Rose 1992; Churchill 1994, 1996). The revival of older traditions can be another form of this resistance: the Sun Dance (Jorgensen 1972); the Long-

house religion of the Iroquois (Wallace 1969); the Ghost Dance movement (Landsman 1979; Thornton 1981, 1986; DeMallie 1982); the Native American Church (La Barre 1969; Stewart 1987), and so on. While somewhat syncretic, these movements preserve many traditional values. Because they are vastly different from the monotheisms found in states, their survival constitutes a form of resistance to the ideologies of the modern world-system.

Probably the most significant forms of resistance are the various ways that resources are managed collectively, for collective good. This goes much further than the conventional “public goods” concept to include collective ownership of land and livestock, goods that are individually and privately owned commodities in the capitalist world-system. The Lakota struggle to regain the Black Hills is a dramatic example. Although several court decisions have determined that the Black Hills were illegally taken from them, the Lakota peoples, some of the poorest people in the United States, have steadfastly refused commodified cash settlements and insist on the return of the land (Churchill 1996:69–80; Iverson 1999:117).

Sovereignty is a key issue in these examples. Due to treaty agreements, indigenous peoples in the United States have a special relationship directly with the U.S. federal government. Sovereignty issues are often the basis of challenges to states around the world. These challenges cut to the heart of the interstate system built on the Peace of Westphalia (1648) and challenge the structure and processes of the interstate system and our understandings of it (Wilmer 1993; Alfred and Wilmer 1997; Stack 1997). Still, indigenous peoples have had to fight on European grounds—within European law (Biolsi 1995, 2001). One recent successful use of sovereignty has been to build gaming operations (Fenelon 2000). But as with Choctaw economic enterprises, this success is fragile (Faiman-Silva 1997).

The question remains, How much have they had to give up to win these victories? Indigenous peoples have had to accept some European legal premises about sovereignty. The law is “a fundamental constituting axis of modern social life—not just a political resource or an institution but a

constituent of all social relations of domination” (Biolsi 1995:543). Thus, the courts have been a leading institutional means of commodifying everything, especially land.

There have been many forms of symbolic resistance—for instance, preservation of several national and/or state parks for traditional Native American ceremonies, such as Bear Butte, Devil’s Postpile, and Medicine Wheel. Another example has been the movement against the use of Native American images as sports mascots (Fenelon 1999) or the national movement to remove the term “squaw” from many place names.

Cultural Survival, International Work Group on Indigenous Affairs, the Center for World Indigenous Studies, and the United Nations Working Group on Indigenous Populations are only a few of the organizations supporting indigenous rights. There are also many indigenous organizations (see Wilmer 1993:227-229). The Zapatista movement (Ejercito Zapatista de Liberación Nacional

[EZLN]) centered in Chiapas, Mexico, is one of the most dramatic. Zapatista ideology, and to a large extent Zapatista practices, contradict the logic of capitalism. Zapatistas reject modernization and development (Ross 1995). They seek to maintain traditional life ways in the face of efforts by, for example, the North American Free Trade Agreement (NAFTA) and the Free Trade Agreement of the Americas (FTAA) to assimilate them to capitalist culture and practice. Their march to Mexico City and the demonstrations in the Zocalo on March 13, 2001, accompanied by a huge outpouring of civil society in support of the Zapatistas, are some indication of the growing impact of such movements. It is far too soon to claim that they have triumphed, but so far they have succeeded beyond what anyone would have expected. We now turn to conceptual issues.

CONCEPTS, DEFINITIONS, OBSERVATIONS

The term “indigenous” is inherently troublesome and should be accepted as such (Snipp 1986, 1989, 1992; Stavenhagen 1990: Ch. 8; Hall and Nagel 2000). For instance, in mainland Southeast Asia almost everyone is both indigenous and usurped—and typically several times in each role. Who is indigenous cannot be settled by conceptual parsing. History is complex and messy. Theoretical accounts addressing the issue of indigeness must recognize this complexity and messiness. We use “indigenous” to refer to people who “were in that place” when others invaded and usurped political control, power, and/or economic resources. They should have been there for at least a few generations and not just have arrived last week.

However, concepts like “indigenous peoples” and “nonstate societies” are gross simplifications of an immense variety of types of social organizations. This variety is arguably greater than the diversity of types of state organizations found throughout the 500-year history of the “modern world-system” (Hall 1989b: Ch 3; Stavenhagen 1990; Chase-Dunn and Hall 1997, 1998; Champagne 1999; Smith 1999). Both terms merely emphasize that these groups are not states. This does not vitiate the existence of indigenous states in North and South America prior to European contact: for example, Aztecs, Maya, Inka (Chase-Dunn and

Hall 1998; La Lone 2000). A second difference is that all these social organizations are noncapitalist. That is, they are fundamentally rooted in modes of organization, production, and accumulation that have little to do with capitalist accumulation of capital and thus resist assimilation into those kinds of systems. That said, it is critical to recognize that these peoples do, and did, have histories separate and distinct from those of states (Wolf 1982; Chase-Dunn and Hall 1997, 1998). Many peoples have been incorporated into the capitalist world-system, but far from completely (Hall 1986, 1989b). Many have resisted incorporation heroically, and untold numbers died doing so.

A key part of this argument is that indigenous peoples who struggle to preserve some of their noncapitalist roots—for example, communally held property rights—constitute a form of anticapitalist resistance to incorporation into the

world-system and a challenge to the assumption that the state is the basic political unit of human social organization. The challenge is not only political-economic; it is also cultural.

Culture and identity politics have become very highly contested issues in recent decades. Within these debates the names of indigenous peoples are particularly contested. The politicization of identity has made the use of all descriptive terms for indigenous peoples problematic, especially the term “tribe.” It has at least three uses: (1) a generic term that is synonymous with “nonstate”; (2) a term to refer to treaty-sanctioned and -recognized peoples in the United States; (3) a pejorative term used to assert the inferiority of nonstate organizations. The first meaning points out that tribes are not states but are different forms of social organization (Fried 1975; Hall 1989b: Ch. 3). With respect to the second usage, most U.S. treaties with indigenous peoples were made with “nations.” That is, the treaties recognized them as political equivalents, regardless of social organization. The third usage attempts to turn an analytic distinction drawn by the first usage into a political weapon. Still, to label “tribes” or “chiefdoms” as “nations” to overcome this usage confounds a profoundly modern form of social organization with a very different form of social organization (Hall 1998a, 1998b; Riggs 1998). Here the term “nation” is better (Deloria and Lytle, 1984; Fenelon 1998; Deloria and Wilkins 2000). A good deal of confusion is generated by the popular and persistent—yet erroneous—use of “nation,” “state,” and “nation–state” as synonyms. Differences in social organization are crucial, but they are not, nor should they be used for, assertions about claims to rights, international status, and so on.

Finally, all of these social structures have themselves evolved over considerable time. They transform or transmute from one thing into another. An indigenous group that continues to exist today is not a “living fossil.” Rather, it too has evolved, often having changed and adapted to a context in which it has been surrounded by one or more, typically hostile, states. Indeed, one of the powerful insights from world-system analysis is that the fundamental entity evolving is the system itself and that the evolution of any component of a system must be understood within the

context of system evolution

INCORPORATION INTO WORLD-SYSTEMS: ANCIENT OR MODERN

When a world-system expands, new areas are incorporated, and boundaries are formed and transformed (Wallerstein 1974, 1989). Incorporated areas and peoples often experience profound effects from incorporation, and occasionally devastating ones, even when incorporation is relatively limited in degree. They also react against and resist these effects to whatever degree possible. Thus, the study of incorporation requires close attention to local conditions, actors, and actions as well as system wide processes and especially the complex interactions between the two (Hall 1989a). Incorporation is a two-way, interactive process.

To label this entire range “incorporation” masks important variations and makes it more difficult to understand different processes and outcomes that occur on the frontiers of world-systems (Hall 1986, 1989b, 2000; Chase-Dunn and Hall 1997: Ch. 4).

Some changes induced by incorporation may be reversible; others are not or only with great difficulty. For instance, Dunaway (1996) cites comments by a Cherokee chief who lamented in the 1700s that young men had become so dependent on guns that they could no longer shoot, not to mention, produce suitable bows and arrows. Another common result is that indigenous peoples are relocated to (or more rarely aboriginal territories are designated as) temporary “reserve” areas, where “temporary” can be a century or more (Perry 1996). States seek to abolish such reserves for a variety of reasons. Frequently reserves become attractive for further development, especially when formerly unknown or “useless” minerals such as oil or uranium become valuable due to new technological developments. States may tire of the administrative and economic overhead of such special status areas and/or peoples. Both have been common in the United States where the special legal status of American Indians generates all sorts of legal and political problems. Eras when a drive for a “national culture” increases can create extensive pressures for assimilation to the dominant culture. One legacy of the obsession with nation-building is for states to become “embarrassed” by the continued existence of “backward” or “primitive” population segments. The typical response is vigorous, often coercive, drives for assimilation.

The extension of world-systems theory into precapitalist settings suggests additional refinements to the analysis of incorporation. First, incorporation is multidimensional, reflecting the four types of world-system boundaries. Thus, incorporation can be economic (for either bulk goods or luxury goods), political/ military, or cultural. Second, incorporation often creates multiple frontiers, corresponding to each of the boundaries (see Hall 2000). Third, *ceteris paribus*, incorporation will begin at the furthest boundaries, information and luxury goods, and proceed to narrower, more intense forms along the political/military

boundary and finally along the bulk goods dimension. Fourth, relations among the dimensions of incorporation are complex theoretically and empirically.

For instance, many of the American Indian groups we know today were built from an aboriginal base of loosely connected living groups during the process of incorporation, for example, the Diné (Navajo) (Hall 1989b, 1998b). While language, customs, and a sense of being the same “people” predate the arrival of Europeans, Diné-wide institutions such as the Navajo Tribal Council were developed only late in the incorporation process, among other things, to deal with the U.S. government.

In other parts of the world indigenous resistance to expanding world-systems, empires, or states is ubiquitous and has been continual since states were first created. This has several important implications for analysis of resistance to world-systemic processes. First is that many of the putative evolutionary se-

quences and/or so-called pristine forms of organization are highly suspect. They are, more often than not, themselves products of long interactions. Second, this suggests caution in attributing the deleterious consequences of incorporation to “capitalism.” Rather, there is more continuity in this area between tributary and capitalist world-systems. Third, what does seem to be different in the capitalist world-system is the overwhelming power of states relative to indigenous groups, their global reach, and the preponderance of capitalist reasons for expansion, especially for resources, labor, and markets. Fourth, the concomitant rise in nation-building in the modern world-system has led to much stronger attempts at assimilation of incorporated groups than was common in tributary world-systems (Hall 1987, 1998a). Finally, the histories of these encounters have been written almost exclusively from the point of view of expanding states and take as axiomatic that states are inherently superior to nonstate societies (Wolf 1982).

Incorporation into the modern world-system can also have divisive effects. For the White Earth Anishinaabeg (Chippewa or Ojibwa), increasing incorporation fractured old clan and band distinctions and created a new division between more and less assimilated Anishinaabeg, or in local parlance, between full-and mixed-bloods (Meyer 1994). Sandra Faiman-Silva (1997) finds much the same processes among the Mississippi Choctaw. Indeed, the full-blood/ mixed-blood distinction is an important consequence of incorporation into the European world-system and closely connected with racialized policies (Smedley 1999).

Partial incorporation can simultaneously transform indigenous peoples and contribute to state-building. Kristine L. Jones (1998) argues that trade among indigenous peoples and between indigenous peoples and Spanish settlers in the Pampas helped the process of state-building by fostering increased trade. Pekka Hämäläinen (1998) makes a similar argument for the role of Comanches in the southwestern Great Plains.

Gender roles and gender relations are also reshaped by incorporation. The key process here seems to be that new resources are differentially accessible by gender, giving increased power to men and decreasing

social power and changing social roles to women, although that is not always the case. Both Dunaway (1996, 1997, 2000) and Faiman-Silva (1997) find this to hold for Cherokee and Choctaw. Thus, studies of incorporation and resistance are an excellent venue for examining gender issues seriously, as called for by Ward (1993), Misra (2000), and Dunaway (2001).

INDIGENOUS SURVIVAL AND PERSISTING ETHNIC CONFLICTS

Even though resistance to incorporation is old, survival of indigenous groups remains problematic. This survival is one of two persisting puzzles: (1) the persistence of ethnic groups and (2) the persistence of indigenous groups. Both are distinctive in that they are forms of organization not based on capitalist

relations. This is not a “primordialist” or “essentialist” claim. Rather, we argue that the fundamental social link in both types of groups is one of kinship and community, irrespective of how they make their living. Here we must confront a basic misunderstanding by Marx, that ties of common work experiences—relations of production—are often not sufficiently powerful to overcome completely ties of kinship and face-to-face community. This is why both nations and movements always adopt metaphors of kinship to build solidarity—or to invert Benedict Anderson (1991), that is why the “imagined community” (the nation–state) must be imagined. This is not to gainsay that such a transformation might happen but rather to note that it has not happened completely.

When these ties of kinship and community coincide with ways of making a living, they become extremely powerful in binding people together and in maintaining a sense of solidarity. This is precisely what happens within most indigenous communities. Even where members participate in the wider capitalist economy and its wage-labor processes, they remain tied to their indigenous communities. This is why the most successful groups are ones with a continuously existing land base—even if it is a land base from which they have become widely dispersed.

It is here that we can learn a great deal from studies of premodern world-system ethnic relations. States, since they were first invented, have necessarily been poly-or multiethnic. The ethnically unitary nation–state is a chimera—in the ancient and the modern world (McNeill 1986; Gurr 1993; Hall 1998a; Laczko 2000). States, or more properly the world-systems within which they are embedded, always expand. Hence, even if ethnically homogeneous at their first formation, states and world-systems quickly incorporate new peoples and become diverse. In tributary world-systems, constituent states typically do not attempt to assimilate those who are ethnically different into the dominant culture. When they have, they have never succeeded completely. Rather, they are concerned with the collection of tribute. Most often, the ethnic groups within any state are hierarchically organized. Egalitarian situations are rare. They are artifacts of peculiarly balanced social forces.

Over time groups do, however, change and transform and transmute into different forms. In tributary systems, however, such changes are typically slow, often imperceptible in the short term, so identities are easily conflated with both territory and biology. In recent times these processes have generally sped up, so that situational, reactive, or socially constructed ethnicity is now not only obvious to most observers but also all too typically perceived as “normal” or “natural.” There are also abundant examples of the content of identities converging even while the boundaries between them are reinforced (Barth 1969). Barth argues “that a drastic reduction of cultural difference between ethnic groups does not correlate in any simple way with a reduction in the organizational relevance of ethnic identities, or a breakdown in boundary-maintaining processes” (32). But a closer look at most ethnic changes reveals that they

typically take generations or centuries to occur and are often accompanied by much conflict.

One consequence of the space-time compression (Harvey 1989) accompanying the various cyclical processes of the modern world-system, especially in recent decades, has been that these pressures for change of identity have become more overt, explicit, and obvious. Hence, the efforts to resist those pressures also have become more overt and explicit. The resultant clashes and conflicts seem to be most extreme when the incorporated or encapsulated groups are, or recently were, organized according to the logic of a different mode of accumulation.

Because such groups are organized according to a different logic, they are more of a threat to the overall system than challengers who are more powerful—economically, politically, or militarily—because they are proof that the logic of the dominant system is not “natural,” “normal,” or “inevitable” but rather has been constructed by human beings, whether consciously or not. Currently, with the end of the Cold War and the collapse of any sort of visible socialist alternative to capitalism, these other challenges increase in salience. This makes their continuing survival all the more puzzling. If they offer such a threat to the ideological hegemony of the current system, why have they not been summarily crushed? In part, the answer is that many have. But within capitalist culture’s self-conception, wholesale slaughter of human beings for the “crime” of being different would be a severe attack on human and individual rights.

As in tributary states where the primary concern was that ethnic “others” deliver tribute, not conform, within the capitalist system the primary concern is that “others” enter the market and play by capitalist rules. Furthermore, even when such challengers use whatever they gain from “playing the capitalist game” (e.g., Native American gaming operations that use profits collectively for collective goals), they have not been perceived as a severe threat to the overall system. First, they do not attempt to replace or overthrow the system. Rather, they seek to carve out a niche within it. Second, most are relatively small—demographically,

politically, economically, in resource endowments, and so on. Thus, the threat of their existence as alternatives to the dominant mode of organization is outweighed by the self-contradictions that would be made manifest by overt attempts to destroy them. Furthermore, many indigenous leaders have been very skillful at using these contradictions to defend their niches within the world-system. However, other processes are at work. In order to discuss them more precisely it is useful to introduce a few more distinctions.

GENOCIDE, ETHNOCIDE, AND CULTURICIDE

There are many ways an ethnic or an indigenous group might be destroyed. Genocide, ethnocide, and culturicide share an element of intentional destruction of a group. Genocide is probably the most familiar and certainly the most brutal: the outright murder of all members of an identifiable descent group. Ethnocide

is an attempt to destroy the identity of a group. In its ideal-typical form it would entail full assimilation of individuals into the dominant group, although some cultural elements might still persist. A key feature here, besides the obvious internal contradiction of destroying an identity but allowing some of its “content” to remain, is that the group, qua a group, disappears. In contrast, culturicide is an attempt to kill a culture, whether or not its members survive and whether or not they retain a separate identity (Fenelon 1997, 1998). A notorious example is that of Richard Pratt, founder of the Carlisle Indian School, whose explicit goal for the school was “to kill the Indian, but save the man” (Adams 1995). While Pratt seems seriously retrograde at the beginning of the 21st century, he was a humanitarian reformer in the context of the late 19th century, when many still called for outright genocide (Hoxie 1984; Adams 1995).

How have indigenous peoples resisted ethnocide or culturicide? One way is by remaining small, and therefore relatively nonthreatening, at least to the point that the costs of pursuing ethnocide or culturicide have not been worthwhile. Another has been via relative isolation. This, however, is most often an accident of history—being located in a region of little interest to the state or world-system, owning or controlling resources not seen to have any value to the larger system. Another is building upon, or using, a recognized land base to keep the community viable. But these are more on the order of passive resistance. We listed many other more active forms of resistance at the start of this chapter. How effective they will be in the long run, whatever we mean by “long,” remains unclear. Resistance that focuses on symbols runs the risk of allowing culturicide to proceed, in that the identity, via the symbols, is maintained while its content becomes progressively more assimilated to the dominant culture.

Some of the forms of resistance noted above preserve not only symbols but also material practices that contradict capitalist processes. They represent alternative ways of organizing human life. It remains to be seen whether these too ultimately become “merely symbolic.” Is an American Indian nation that insists on tribal sovereignty, that administers resources according to principles of collective rationality, yet that externally participates in a capitalist world-system according to capitalist principles,

resisting globalizing capitalism or slowly evolving into an alternative form of capitalism? This, it seems, is a key question in the survival of indigenous peoples everywhere.

LESSONS FOR THE 21ST CENTURY

What, then, can we learn about resistance to globalization from this cursory examination of the survival of indigenous peoples? First, resistance and survival are immensely complex social processes. As both the world-system and its underlying logic continue to evolve, so too do its various constituent units continue to evolve. Here we confront the age-old conundrum: When do adaptation and change shift from quantitative adjustment to qualitative difference? The key issue seems to be persistence of forms of social organization that are noncapitalistic or that reject capitalism, development, and modernization explicitly.

It is tempting to dismiss this as a minority issue. Indigenous peoples are some 350 million, approximately 5 percent of the world's population. But here we should take note of both biological and sociocultural evolutionary processes (Sanderson 1990). New forms typically evolve from precisely such "minority" populations. Note that even in fictionalized accounts change is seen to come from small groups (Wagar 1999). Surviving indigenous populations present a variety of alternatives to capitalism. Furthermore, that variety is far broader than the narrow range of oppositions that have grown up inside the capitalist world-system, which are, more often than not, either negations of or another aspect of capitalism, or putatively "kinder, gentler" versions of it. Indigenous peoples present many alternatives.

Will indigenous peoples continue to be such alternatives? If they are a threat, will pressures on them to change increase? If so, some or many will succumb, but some will survive. Some degree of encapsulation from global capitalism may help. To the extent that human rights remain key issues for global middle classes, the likelihood of complete destruction of indigenous peoples is lessened. The most successful attacks however, are not likely to be frontal attacks but more invidious erosions via media exposure, increasing dependence on the products of capitalism, and incremental increases in participation in the global economy.

This is why the EZLN may be so prophetic. It is addressing these forces explicitly. Thus far it has succeeded in gaining support among the middle classes of the world and linking with other antiglobalization forces. Indeed, they may be moving into a position of leadership in resisting globalization. Their banner "Todos somos indios del mundo" (We are all Indians of the world) seeks to build solidarity with others on the basis of recognition that all individuals are being crushed by global capitalism.²

Whether this or any other movement will succeed remains unknown. Predictions of the imminent demise of capitalism are only slightly less frequent than predictions about the impending demise of indigenous peoples. Both are still here. Viewed from the perspective of the capitalist era, the evidence suggests capitalism will win in the end. If, however, one

takes a very long run view, indigenous peoples have withstood assaults of states for millennia, suggesting some will outlast capitalism. Historically, the capitalist world-system arose from little pockets scattered here and there for millennia. Thus, one might expect that whatever the world-system transforms into will be built on the various models that already exist. Here, clearly, indigenous peoples represent the widest range of alternatives of continuously adapting forms from which to build a new world.

NOTES

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1. conversations on these topics. Their influence is far more extensive than the few citations indicate.
2. For a photograph of the ELZN banner, see <http://fbox.vt.edu/W/wdunaway/hall.htm>

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Chapter 14

Resistant Indigenous Identities in the 21st Century World-System: Selected African Cases

Kinuthia Macharia

As the world-system swings toward the global village with an emphasis on assimilation of differences, there appears to be a silent revolution among the vulnerable indigenous peoples of the world. Indeed, there is a resurgence of local identities as forms of resistance against universal national and international identities. Over most of the twentieth century, the colonial powers and the postcolonial African leaders prioritized the incorporation of Africa into the world capitalist system and the transformation of the African into the kind of “modern man” idealized by post–World War II Western development scholars (Inkeles 1966). Because the colonial masters and the new African leaders devalued peoples that did not assimilate easily, many groups were “left behind” when Western styles of education and agriculture were introduced. The legacies of that systematic exclusion are still felt.

Colonial landownership patterns displaced indigenous land tenure systems that were designed to prevent conflicts among neighboring groups. Those groups that were excluded from the “modernization” process have continued to be vulnerable because the postcolonial nation–states have failed to alleviate the gaps that were created by the colonial states. After independence, resistance to Western cultural change became an economic liability. The new nation–states further marginalized traditional ethnic minorities that challenged the dominant political and economic agendas of progress. Exclusion from the Westernization of their cultures and their economies earned them the label “backward communities.” Such traditional indigenous groups have also had to fight for their survival against more “modern” neighbors whose economic projects encroach on their lands.

After they have gazzetted as national parks or game reserves the land

that belonged to such vulnerable groups, governments have become targets of resis-

tance and court litigation. Unlike the past era when such groups were powerless locally and abroad, indigenous peoples are gaining new public voices through local and international nongovernmental organizations (NGOs). As a result, a United Nations Working Group has been meeting every summer for the last 20 years to document the problems and the demands of indigenous minorities. This UN Special Forum for Indigenous Peoples and Populations legitimates community leaders from all over the world who either self-identify as indigenous or are recognized as such by their governments. Even though some of these “community leaders” have never addressed a district-level forum in their own countries, they are accorded an international forum in Geneva and are given time to address their issues and concerns to the whole world. It may be a five-minute fame, but those who attend establish social and political networks that can be used to articulate their demands when they return to their homes. In addition to the UN Special Forum, the European Commission and the World Bank have also given attention to the indigenous peoples of developing countries.

The World Bank has implemented a number of safeguard policies, including one that is concerned with the welfare of indigenous peoples in areas that receive loan funds (OD 4.20). Once they become aware of their rights within this bank policy, communities have been able to vocalize their grievances to the relevant national authorities and to make their cases heard in wider international forums. In the 21st century, it appears that the voiceless are gaining voice and the vulnerable are organizing themselves to preserve their own identities. This chapter will examine four central issues: (1) the difficulties of defining the term “indigenous” among African groups, (2) negative impacts of the colonial and postcolonial nation–states on traditional groups, (3) significant indigenous resistance efforts, and (4) contemporary international efforts that legitimate the claims and identities of vulnerable peoples.

In Africa most people, except for those with Asian or European origin, would indeed claim to be indigenous to the continent—hence the general statement, “All Africans are indigenous.” In Dakar, Senegal, at a meeting of various African scholars representing various groups that have

identified themselves as indigenous from a number of countries, one participant dismissed this statement. He refers to it as a “lazy way out” for government bureaucrats who do not want to deal with the issue. This participant argued further that if Norway, an advanced country, had recognized the Sami, it would be just a matter of time before the African governments would also recognize some of their groups as indigenous. This suggests that in Nigeria, for example, some of the ethnic groups in the Niger Delta (the Ogoni and others closely related), the Tuaregs in Mali, Niger, and Burkina Faso, the Pygmies in Congo, Rwanda, and Uganda, and the Maasai, the Barabaig, the Okiek in Kenya and Tanzania will be recognized. These are but a few of those groups that have self-identified themselves as indigenous and wish to be recognized as such. As I will argue, the denial of land rights and ancestral cultural rights, as well as denial in participation of the

modern political economy, is at the heart of the self-identification of such groups on the African continent. It is important to discuss the historical vulnerability that has been closely identified with such groups. Such understanding may dilute the statement that “All Africans are indigenous.” Instead, we will notice that “some are more indigenous than others,” just like some have become more modern and Westernized than others. Some ethnic groups become managers of the modern political-economic system, while other ethnic minorities are subservient to them. I argue that the inequalities encountered by those groups that lagged behind from the colonial state to the independent nation–state still exist in the 21st century world-system. Those disparities will continue to be the main areas of contention whether we label them indigenous, vulnerable, or disadvantaged.

Cobo (1986:98–99), a special delegate of the Special Forum of the Indigenous Peoples and Populations, provided this working definition:

Indigenous communities, peoples and nations are those which, having a historical continuity with pre-invasion and pre-colonial societies that developed on their territories, consider themselves distinct from other sectors of the society now prevailing in those territories or parts of them. They form at present non-dominant sectors of society and are determined to preserve, develop and transmit to future generations their ancestral territories, and their ethnic identity, as the basis of their continued existence as peoples, in accordance with their own cultural pattern, social institutions and legal systems.

There are a number of other factors that are regarded as relevant for defining indigenous peoples. According to Cobo (1986:99), “a historical continuity may consist of the continuation for an extended period of reaching into the present, of one or more of the following factors: 1) Occupation of ancestral lands, or at least of part of them; 2) Common ancestry with the original occupants of these lands; 3) Culture in general, or in specific manifestations; 4) Language; 5) Residence in certain parts of the country or in certain regions of the world; 6) Other relevant factors.” The concept of self-identification as indigenous is also regarded as a

fundamental element in Cobo's working definition. It is relevant especially among African groups that face hostility both locally and nationally when they attempt to claim their ancestral heritage. On an individual basis, an individual person is one "who belongs to these indigenous peoples through self-identification as indigenous (group consciousness) and is recognized and accepted by the group as one of its members (acceptance by the group)." This preserves for these communities the sovereign right and power to decide who belongs to them, without external interference.

The World Bank, the main multilateral institution directly involved in development projects in most Third World countries where there is a high likelihood of encountering indigenous peoples, defines them as follows in its Operational Directive OD 4.20, (World Bank 1991): "The terms 'indigenous peoples,' 'ethnic minorities,' 'tribal groups,' and 'scheduled tribes' describe social groups

with a social and cultural identity distinct from the dominant society that makes them vulnerable to being disadvantaged in the development process. For the purposes of this directive, 'indigenous peoples' is the term used to refer to these groups." The same World Bank (1991) directive provides a number of characteristics that define the indigenous people of a geographic area:

- a close attachment to ancestral territories and to the natural resources in these areas;
- self-identification and identification by others as members of a distinct cultural group;
- an indigenous language, often different from the national language;
- presence of customary social and political institutions; and
- primarily subsistence-oriented production.

The World Bank's characteristics overlap with those adopted by the UN Working Group, though there is not total agreement about the relevance of all of them. The "self-identification" characteristic (identified by both organizations) is highly controversial. Some groups in various African countries have, for example, questioned why some groups like the Maasai of Kenya and Tanzania who have variations (class positions and political clout) within them should be identified as indigenous holistically. The concern that some groups may take advantage of a situation (such as funding or a discovery of a crucial natural resource like oil in the Niger Delta in Nigeria) could lead some groups to decide overnight that they are now "indigenous." Most of those who consider themselves as legitimate indigenous people do not see any problem with the self-identification characteristic because they do not imagine anyone wanting to be what they are not. They think the problem is with others who are out to question their own heritage.

THE COLONIAL STATE AND THE INDIGENOUS PEOPLES

Rodney (1974) has shown how “Europe underdeveloped Africa.” Wallerstein (1974) has shown how Africa was incorporated into the capitalist world-economy as an unequal partner. According to Young (1994), the colonial state was symbolized with the phrase *Bula Matari* (he who crushes rocks), which signifies the summary justice system that favors the colonialists and impacts Africans indiscriminately. The exploitation of the African peoples has been well documented and will not be discussed at length in this chapter. What is more relevant to this chapter is the varying degrees of exploitation and the “assimilation process” among groups to the Western cultural, economic, and political ways of life advocated by the colonialists. The degree of immersion in the new ways of life (Western education, advanced agricultural methods, sedentary instead of pastoral ways of life) would lead to major gaps that are still felt today. Ironically, in some countries, the groups that were closely exploited by the colonialists were also beneficiaries of their Western education and economic

system. When the so-called Western education and economic system became the development strategy for both the colonial and the postcolonial state, those who had been excluded in the new system continued to lag behind. Many of those left behind in Africa have self-identified themselves as indigenous.

A few examples from East Africa will clarify my point. The colonial settlers in Kenya exploited the Kikuyu in various ways: They took their fertile land and pushed them into overexploited reserves. They also exploited their labor by forcing them to work on the new coffee and tea plantations (Throup 1987; Clough 1998). While the colonial government was not enthusiastic about educating the natives, Christian missionaries, comfortable in areas where the colonial administration was more entrenched, like in the Central Province of Kenya, established schools and churches. Their mission was to save the “natives from ignorance and going to hell.” The missionaries felt it was the “white-man’s burden to bring light into the Dark Continent” by preaching the Bible and teaching them how to read and write, with the aim of converting them to the Christian religion (at the expense of already existing African religions). The effect of such close interaction on so many levels—work, school, church—earned the colonialists followers who later became, in the case of Kenya, loyalists to the colonial system. They were easily juxtaposed against other Africans who opposed the colonial system. This symbiotic relationship between selected African groups and the colonial administration, as well as its agencies in schools and churches, formed the basis of what was to become a reality in the postcolonial state (Sandgren 1989). Those who had close proximity and had interacted more with the colonial system appeared to have been better prepared to take up and continue an exploitative system (albeit this time of fellow Africans). This may explain why, for instance, the Kikuyu were generally more prepared to take up leadership and exploitation of other groups immediately after independence from the colonial powers. The same could be said of the Baganda in Uganda and the Yorubas and Ibos in Nigeria.

The groups that were “neglected” or left in their natural habitats and

culturally exploited indirectly (with more direct exploitation of their natural resources like land) tended to be ill-prepared to enter the colonial economic system. Given that the postcolonial system in most African countries was an extension of the colonial one, it goes without saying that those groups that had been neglected and had not been at the center of the colonial state continued to be on the periphery of the postcolonial state. They were not fully integrated into the postcolonial state, and to date, they are still outsiders. The difference today is that they have more forums for making their case, and that is why the 21st century will be different. The status quo is in question for many of these formerly neglected groups who are now demanding their rightful place in the nation– state. This issue is complicated further by the weakness of most nation–states, especially in Africa. The globalization process is weakening such states further. It will be very interesting to watch the changing position of the “formerly neglected and vulnerable” groups in the new millennium.

One main issue that affected all Africans in most countries during the colonial state was the fact that besides their being exploited holistically as natives and indigenous peoples who were at the mercy of the colonial administration, new land tenure systems were introduced. These were to bring tensions and conflicts then and now. Land issues continue to be the most contested and the eye of the storm for most of these groups' resistance movements against the dominant groups and their governments. Most Africans had owned their land communally. Land was seen as God-given, and it was unusual for an individual to lay claim of ownership to certain parcels. Land was also seen as the mother of life, and life was for everyone in the community to enjoy—hence the downplay of individual ownership. The colonial administration and settlers saw it differently. They valued land as a commodity to be exploited by individual owners to grow cash crops or to mine it for self-profit. Land was also secured by the government for its future use and establishment of game parks and reserves for future tourism.

The new concept of *trespass* was introduced and enforced by colonial rules, rendering many groups an alien status on what for generations used to be their own land. New means of land acquisition such as forceful takeover, selective allocation, and/or individual purchase for those with enough money to act as landlords and land speculators replaced the communal system for most groups. The less-able groups have suffered in the course of this land tenure transition in many African countries. Most of them still rely on land for primary survival; hence, tensions between indigenous peoples, their neighbors from the dominant groups, and their governments continue. An example here is a recent story from Kenya that was featured in the *Washington Post* in February 2001 and was again headlines in the Nairobi-based *East African Standard* (April 14, 2001) with the title "Tension as Farmers Told to Give Way to Monkeys." The indigenous peoples of the River Tana Reserve (which was expropriated by the government in 1976 from the local community's ancestral land) believe that their fertile land is being taken away from them because of the government's and the international community's (the World Bank is funding this project) interest in

preserving what has been described officially as “the endangered red monkey.” Some excerpts of the story (*East African Standard*, 2001) read as follows:

The future looks bright for the endangered red monkeys in the Tana River
• Primate Reserve.

Prospects are less rosy, however, for their neighbours in the age-old conflict
• between animals and humans that festers along the banks of Kenya’s longest river.

More than 330 families are dependent on land inside the reserve, and many more live on its fringes. To ensure the survival of the 2,400 rare Red Colubus
• and crested Mangabey monkeys in the reserve, the humans are being asked to pack their meager belongings and leave their ancestral land.

This is an example of land acquisition by the state that was initiated by the colonial state and is continued by the postcolonial state. It shows little consul-

tation with the indigenous peoples who have resisted their eviction from what they consider their bread basket area. Indeed, in February, the women of the community used their traditional culture to scare the scientists away from what they consider to be rightfully their ancestral land: “In February, several dozen chanting women angrily charged at scientists working on the edge of the reserve, raising their skirts at them (showing their nude behinds) in a traditional gesture intended as a curse” (*East African Standard* 2001).

It is interesting to note how the indigenous women in this community tried to apply a traditional method (the curse) to solve a controversial modern problem (land acquisition by the state). The government, in this case has international support from environmentalists and the World Bank, which is providing funds to ensure this reserve “is intact for the monkeys and not for the humans.” This is part of the contradiction that indigenous peoples will face in the future. That is, on one hand, they have a voice now locally and internationally, but on the other, their government has added clout and support on issues like this one concerning the Tana River where support is being given by a powerful international organization. Thus, I make the argument that the future of indigenous peoples in the 21st century is not very clear, but it is surely going to be visible on the sociopolitical and economic map of Africa.

Besides the land issue, the colonial state has also exploited the cultural heritage and customs of most of the indigenous African peoples. This kind of exploitation was in keeping with what was to become a transition of Africa’s traditional economy into a modern economy that was incorporated in the world-economy, mainly the capitalist system. Those groups/communities that were more fully integrated and that became participants in the colonial economy continued to do well in the modern economy (the same) that was advanced by the postcolonial state. Indeed, the communities that were tied more to their own traditional cultures lagged behind in adapting to the colonial economy and continued to lag behind in the postcolonial economic system. Those that had assimilated more in the “modern system” were able to take advantage of the new system, especially politically and economically, the

mainstays of modern development. Romanticizing cultural heritage and traditional customs, while still very important in many African countries, has also meant realistically understanding that those fully engrossed in their cultures have been at a disadvantage in participating fully in the modern education, economic, and political systems. This, in part, explains their vulnerability and continued exploitation by the so-called dominant groups.

It is interesting to note that during the colonial state heyday, some groups were culturally exploited more than others. In Kenya, for example, tourists were advised to see the Big Five (lion, elephant, leopard, rhino, and cheetah, for some, while others included the buffalo and the giraffe) in their safari experience and “not to forget the Maasai!” In this reference, the Maasai, as a people, were placed in the same category as the animals; indeed, some tourists were disappointed if they did not see one. Those sighted by the tourists were photographed

with the same gusto displayed when they were photographing wild animals. In another extreme case, those ethnic groups north of the Rift Valley in Kenya, beyond the town of Kitale (Turkana, Rendille, Samburu, Pokot, etc.) were not to wear modern clothing but were expected to wear traditional clothing, which amounted to almost bare skin. The Samburu and Turkana girls and women, for example, did not cover their bodies from the waist up. This was an exploitation of the indigenous peoples in general and more specifically of their womenfolk. In postcolonial times, such groups are ridiculed by their neighbors and are pressured into wearing modern attire. In most cases, such attire is more expensive than their traditional wear, calling for them to change their lifestyle and to work harder in order to “assimilate to the modern at the expense of their rich traditional cultures” (Cobo 1986:127). Their traditional lifestyle also opposed modern/Western education, and in the postcolonial state where rewards and opportunities have been closely related to level of education, these groups have had to pay dearly for their attachment to cultural traditions. This is a price they will continue to pay in the world-system of the 21st century.

THE POSTCOLONIAL STATE AND INDIGENOUS PEOPLES

The postcolonial state has indeed perpetuated a system that was already there. The change of guard from colonial administrators to African leaders did not change the advancement of the economic system. The vulnerable groups continued to be exploited more by the dominant group, and the government has not helped much. The creation of the nation-state has led to greater vulnerability of the formerly neglected groups. They have faced stiffer competition from their neighbors who can now migrate freely to most parts of the country in search of fertile land and other survival opportunities. The cash economy introduced during the colonial era and the private ownership of land have continued to benefit the elites and to exploit the impoverished majority who are today categorizing themselves as indigenous peoples. Lack of political representation for most of these groups in the postcolonial state has opened them more to direct manipulation and exploitation by both the dominant groups and the government. Land has continued to be taken

away from them in the name of national development or creating a reserve such as the one created for red monkeys. Fertile land, as in the case of the Narok district, which is home of the Maasai of Kenya, has been turned into barley farming for the country's brewing industry. The internationally famous Maasai Mara Game Reserve denies valuable pasture land to the indigenous Maasai. The game parks of Serengeti and Mkomazi in Tanzania and the Ruhengeri Forest mountains in Rwanda and Uganda have denied the Maasai and Batwa Pygmies, respectively, their natural habitat and source of livelihood. The Okiek of Kenya have been denied access to their "homes" in the Mau Forest.

INDIGENOUS RESISTANCE IN KENYA

I have already mentioned some groups like the Tana River community that have brought their resistance efforts and strategies to the attention of the international media. The government of Kenya, like many others in Africa, does not have a policy for its indigenous peoples. When there are issues concerning them, their concerns are articulated by their political leaders locally and nationally, if they have any. The Maasai, for example, have vocally advocated for some kind of “affirmative action” to enable them to catch up with the country’s modern development strategy. William Ole Ntimama, a cabinet member in the Moi government, has championed himself as the “king of the indigenous Maasai” (*Daily Nation* 2001). His efforts to champion the Maasai cause have created many enemies for him among the dominant groups. They feel that he has not been sincere in his approach, especially his call for violence from the Maasai toward non-Maasai small-scale businessmen and peasants on Maasai land. He has been accused of ignoring the exploitation by large capitalist firms (local and international, such as the breweries that grow wheat and barley on ancestral Maasai land and international tour firms such as Abercrombie and Kent who own luxurious tented camps like Kichwa Tembo in the Maasai-Mara). Ole Ntimama himself belongs to the elite class in Kenya who benefited from educational opportunities during the colonial administration. He is a wealthy Maasai by any Kenyan or international standards. And like other external agencies and groups of people who have exploited the Maasai, he has exploited his people through ownership of luxury-tented camps such as the Governor’s camp in Maasai-Mara. The poor Maasai cannot graze their cattle in the Governor’s camp compound just as they cannot graze their cattle in the Abercrombie and Kent compound. In other words, the class factor among the indigenous peoples has been exploited by their leaders who are no better than those in dominant groups or the government, usually easy targets to blame.

Another case involves the Okiek people in the Central Rift valley. The Okiek people are estimated to number about 22,000 (Government of Kenya 1989; also estimated by an educated Okiek male whom I

interviewed in 1999). They are highly scattered in two main districts (Nakuru, Narok), and others are in other forests in the country. They are forest people who survive on hunting and gathering. They rely on honey and fruits as well as on wild game for their food. They exchange animal and plant products from the forest for other kinds of food and monetary compensation with their neighbors. In the struggle to regain their ancestral land and habitat, they took the Kenyan government to court. On March 24, 2000, a Kenyan court sitting in Nairobi handed down a ruling that the judges characterized as benefiting the environment after the indigenous community sought to block a government eviction order to remove them from a natural forest. That lawsuit had been ongoing since May 1999. There are now appeals to the March 2000 ruling, and the odds are not always in favor of the Okiek.

The Okiek people (also referred to as Dorobo, a term they do not like because it has connotations of any primitive in any ethnic group) live in the forests of the Mau escarpment in Kenya. These contain some of the most important forest ecosystems and water catchment areas remaining in the country. The Okiek, primarily a hunter-gatherer community, have lived in these forests and been practical conservationists since the beginning of time. They have not destroyed the forests, as the loggers (most licensed by the government) have been doing in the last 20 years. The ongoing lawsuit filed by the Okiek Welfare Council demands that the Okiek of Tinet be allowed to stay in Tinet Forest. The number affected includes 5,016 members of the community and another 800 Okieks (Mulenkei 2001) not included in the court list. They contend that removing them from the forest denies them their basic human right to live. The government has shown insensitivity to the Okiek's plight. The Okiek are not farmers, and forcing them to settle on poor land outside the forest is indeed literally killing them.

INDIGENOUS RESISTANCE IN TANZANIA

The Barabaig, a pastoralist group based in Tanzania, have a lifestyle similar to the Maasai of Kenya and Tanzania. They number about 30,000 (Government of Tanzania 1989). They have lived in the plains of Mt. Hanang in Hanang district of north-central Tanzania for more than a hundred years, predating the colonial settlers who came to Tanzania in the 1890s. Barabaig land was taken over by the Tanzanian government in 1987 to create a huge wheat farm that was financed by the Canadian International Development Agency (CIDA). This was all done in the name of "development" without proper consultation with the Barabaig. The Tanzanian government was represented by the Tanzania National Agricultural Food Cooperation (NAFCO) who failed to inform the Barabaig of their imminent alienation from their ancestral land (Mulenkei 2001).

The Barabaig were dispersed in all directions, some as far south as the Zambian border (looking for pasture), forcing some of them to change from being pastoralists to being "wanna-be farmers," which has been very difficult for them. The Barabaig were not compensated for their loss

of ancestral land; neither did they benefit from the wheat that the government agency had embarked on growing on their land. Wheat was not part of their diet, and it was being managed in a big-corporation style contrary to the community-approach economic system known to the Barabaig. As in the case of Kenya above, the Barabaig have gone to the courts demanding their right to occupancy and compensation for their loss.

These are some of the ongoing cases of conflict with the modern state continuing in the 21st century. Hopefully they will be resolved in favor of the indigenous peoples who have been losing out in the name of “modern development.” The Barabaig and the Tanzania Maasai have also been forced to evacuate the area that is today the famous Mkomazi Game Reserve. They cannot graze their cattle on that land, and despite another legal battle, their rights have

yet to be respected. The Hadzabe is another indigenous group in Tanzania who lead a lifestyle similar to the Okiek of Kenya (hunting and gathering). Hunting has been outlawed in Tanzania, making it impossible for the Hadzabe to gather their daily food with their traditional methods. The conflict with the modern government is ongoing.

INDIGENOUS RESISTANCE IN RWANDA

If you asked most people who the ethnic groups of Rwanda are, over 98 percent of the people outside Rwanda will name only the Tutsi and the Hutu who gained international notoriety in the 1994 genocide in that country (PBS 1997). The Batwa Pygmies constitute one ethnic group not known by many non-Rwandese. They claim to have been in Rwanda and the surrounding forests of Uganda and the Democratic Republic of Congo before the Hutu and the Tutsi came to settle in what is modern-day Rwanda.

The Batwa were/are essentially forest people engaged mainly in hunting and gathering. They make beautiful pottery, which the dominant groups purchase or exchange, for food. Most of them have been forced to leave the forests by the government, and life has been hard for them. In addition, in the last ten years, the forests have been largely occupied by guerrilla groups engaged in the struggle for the country's political power. The Batwa lack representation in any government hierarchy. They suffered like other Rwandese during the genocide and its aftermath. They have identified themselves as indigenous and want the government to recognize them as such and to be accorded their rights to live off the forests as they always have. As much as they would like to keep up with the rest of the Rwandese in "modern development," a more pressing need is to be recognized and given an opportunity to move out of the poverty predicament that they (just like the other indigenous peoples discussed above) find themselves in as they continue to live in the shadow of the two dominant groups.

CONCLUSION

The communities once referred to as backward, primitive, and in some countries, preserved for tourist attraction awakened in the late 20th

century demanding to be given their rightful identity as the “indigenous peoples” of their regions or country. Locally and internationally they have indeed resisted the treatment they have been given by the dominant groups, from the colonial European masters to the African elite in the postcolonial days. It may be late as they all struggle to regain their lost land rights, but they are far from giving up. The case studies of the Okiek of Kenya and the Barabaig of Tanzania show signs of what is to come in the 21st century. These groups that have identified themselves as indigenous realize that they have missed out on education as well as involvement in the modern capitalist economy that dominates their countries. They have spoken locally and in international forums like the United Nations

Special Forum for Indigenous Peoples and Populations demanding a return of their traditional land rights as a way of improving their livelihood and economic welfare. Despite the overinvolvement of the nation–state in the globalization process, the rightful place of indigenous people has to be recognized. Their voices are now being heard more vocally both locally and internationally.

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Chapter 15

The Dynamics of Everyday Incorporation and Antisystemic Resistance: Lakota Culture in the 21st Century

Kathleen Pickering

Indigenous peoples have consistently been part of the periphery in the modern world-system.¹ Participating in nonindustrial forms of production and exchange at the point of European contact, they were gradually incorporated into the current world-economy through successive military, economic, and political expansions of capitalism into new geographical zones. This process of incorporation was rarely under their control or direction and often against their will. This incorporation process brought profound changes to the social, political, and economic practices of indigenous peoples (Hall 1989).

Equally impressive, as we enter the 21st century, is the extent to which indigenous peoples have managed to maintain their cultural traditions in the face of incorporation into this global system. After periods of extensive and intensive colonial control, indigenous peoples have emerged ready to bring their traditions back out of the closet of administrative oppression (e.g., Fischer and Brown 1996). The question still remains as to how culture is maintained even in the most extreme situations of incorporation.

One of the explicit tensions in world-systems theory is between the mission to write total history from the *longue durée* and the profoundly local context within which the interactions of the world-economy and individual communities take place (Braudel 1979; Hall 1987:2; Wallerstein 1991). Most world-system studies have examined long historic periods of dramatic change. For example, the study of the colonial encounter between Europeans and indigenous societies in North America provides points where the transformations stimulated by incorporation are most evident, such as during the fur trade (Dunaway 1994), through the conflicts between Spain and the United States over

political and economic domination of the Southwest (Hall 1989), or through the imposition of a reservation system by the United States (Meyer 1994). These historical

vantage points reveal the large gestures of incorporation at work, noting the dramatic differences between before and after.

At the same time, Braudel observed that in everyday life the things one hardly notices in time and space, repeated, become a structure (1979:29). The reality of the contemporary world-system in the periphery is constructed of these everyday occurrences. This chapter represents an attempt to present the contemporary, ongoing, day-to-day processes of incorporation as they are experienced by a culturally distinct society, the Lakota of Pine Ridge and Rosebud in South Dakota. By looking at the structures of everyday life that link peripheries like Pine Ridge and Rosebud to the world-system on an ongoing basis, it is possible to identify how these repeated daily encounters cumulate for the interests of capital as well as for the preservation of cultural distinctions.

Three specific aspects of this daily encounter are examined. First, the production process is examined for the ways in which Lakota people inject Lakota cultural practices and perspectives into formal market transactions, on the one hand, and the ways in which forces of the world-economy intrude into traditional forms of Lakota household production and social relations, on the other. Second, consumption patterns are analyzed to determine the manner in which Lakota values are expressed through participation in and avoidance of market transactions. Finally, constructions of identity, both internal and external, are explored to expose local methods for both contesting and reinforcing the distribution of benefits from local production toward core interests of the world-economy. This research is based on 100 general economic household surveys gathered in Pine Ridge and Rosebud from 1991 to 1993, 134 household credit access surveys gathered in Pine Ridge in 1999, and 25 household welfare reform surveys gathered in Pine Ridge and Rosebud, also in 1999.

INCORPORATION AND PRODUCTION PROCESSES

Incorporation involves the integration of production processes. Households are central to the production processes of indigenous societies. Historically, it is within households that “the change from

subsistence production to production for exchange occurs” (Upham 1990:103). Households are the centers through which men and women’s formal labor, informal labor, and household labor are connected to the world-system (Ward 1993:57). Rather than equating wage labor or commodity production with incorporation into the larger economic system, households provide a way for tracing how the informal sector is also connected to the world-system through small aspects of daily life (Portes 1985). Households act as the fulcrum between world-systems penetration and local culture.

Jobs in the private sector have always been extremely limited on the Pine Ridge and Rosebud Reservations and have shifted and contracted along with larger trends in the global economy. Lakota labor filled market needs in migrant agricultural work in the early 1900s to the 1960s and in urban industrial expan-

sion through the federal urban relocation programs of the 1950s (Pickering 2000a). Factory work became more common on reservations in the 1960s as industry searched for low-cost domestic wage workers but quickly relocated to more peripheral communities outside the United States as corporate mobility began to accelerate in the 1970s and 1980s (Pickering 2000b: 17–18). Throughout these shifting labor demands, Lakota workers have moved in and out of wage labor. A Pine Ridge woman recalled working for an electronics plant on the reservation in 1977: “I think people started boycotting the plant because of the low wages and no raises, and then the place burnt down and they never bothered bringing it back.... That’s about the only time there were really any regular jobs around here, outside of working over at the school.” The more stable public sector, constituting 58 percent of all jobs in Pine Ridge in the 1990s, has provided the main access to the cash economy, although many of these jobs are temporary, seasonal, or part-time (Pickering 2000b: 16).

Given the low percentage of full-time, year-round employment, home-based production occupies a large niche of a household’s economic activity. This home-based production, including subsistence hunting and gathering, household maintenance, or traditional arts and crafts, can range from a small portion to a dominant portion of a household’s economic activity, depending on the access and participation of the household with the mainstream market economy. Production for household use and consumption often provides the base from which goods and services may be sold for cash, as the nature of production and exchange has become gradually more commodified. A Pine Ridge woman noted that her grandparents beaded a lot: “I don’t know if they sold. They probably exchanged.” A Rosebud woman commented, “My mom made quilts and gave them to the family. I don’t know if she ever sold any. Used to be in the old days people made star quilts for their families, but now they sell them, send them off to different places.” For women, who made up 80 percent of the beadworkers interviewed, household production has the advantage of generating cash while allowing them to stay home with their children.

In this realm of traditional household production, itself promoted in part by the peripheral position of these communities, it is possible to see forces of the world-economy continually pushing market involvement one step further. The hand of market forces is felt as prices for traditional items like quilts or jewelry are set in relation to industrially manufactured items, undercutting the added value of handmade goods. Households lose the use of their living space as household production for cash increases. Even the pace and intensity of production, which would ideally be left up to the determination of the household, become increasingly demanding as microenterprise producers connect with more lucrative markets outside the reservation community. The economic climate also depresses the prices charged by household producers. If no one is willing to buy an item at the asking price, the microentrepreneur is pressured to lower the price to at least cover transportation costs, rather than going home without a sale. Furthermore, those households excluded from formal wage work end up sub-

sidizing the formal or core sector through their informal production. Those with low-paying jobs count on buying goods and services from home-based microenterprises. Those with temporary jobs enter the informal sector or will rely on household production for support until they can find a job again. Those without jobs produce goods and exchange their labor for minimal amounts of cash from those with jobs.

Nevertheless, individualistic forms of behavior, fostered by market structures, are challenged by the extended family, or *tiyospaye*, orientation of Lakota ideology. The interpretation of income or wages as an individual resource is contested by the notion of extended family obligations. As one Rosebud woman pointed out, "Things like income and expenses take too narrow a view of households, since people are responsible and give support to a much larger group of relatives on a short-and long-term basis." The *tiyospaye*, or extended family, is critical to understanding economic opportunities and safety nets that do not appear when the focus is on individuals. This social structure makes it possible for a person to lose or quit a job without the dire consequences of homelessness and hunger. A person might have his car repossessed, but he will survive. There is the alternative of relying on family until another job materializes.

Lakota views on work seem to mirror those Marx associated with "the ancient conception, in which man always appears...as the aim of production" rather "than the modern world, in which production is the aim of man, and wealth the aim of production" (Marx 1966:84). A Lakota woman from Rosebud explained: "I'd like to create institutions where people are allowed the freedom to do their work and when the work is done, you call it a day, rather than this notion that you have to work to the sacrifice of all other things in life, your family and your community obligations." Despite limited opportunities for wage work, people without regular jobs tend to work only when they have a specific cash need. One Lakota craft producer noted the difficulty in getting temporary help with quilting. "The problem is they don't need work the same time I need help, so I mostly end up doing it all myself anyway."

In addition to providing Lakota households with an alternative to market-based production, home-based production is also consistent with maintaining Lakota values and reinforcing a family-centered worldview. Household production combines easily with the Lakota value of staying busy at all times. "Indian time means being always ready, not lazy or lazing around." At the same time, home-based production supports the Lakota values that favor filling the short-term needs for the entire extended family, rather than accumulating assets for the long-term needs of the nuclear family. As a Lakota man from Pine Ridge put it, "I don't plan for the lean times. If I have too much for the future, it makes me lazy and I don't work hard enough."

The items produced and the methods for producing and distributing them become in themselves expressions of Lakota culture, even when home-based production is undertaken for cash. The labor structure of home-based production is defined by family relations. Relatives help each other gain the skills and

acquire the tools necessary to engage in productive household economic activities or to form an informal or formal microenterprise. Family members often gave gifts such as sewing machines, glue guns, tools, or vehicles, providing some means of income-producing activities. One Rosebud woman took out a loan to buy mechanics tools for her son-in-law so he could in turn fix her car.

The labor of family and friends helps provide the marginal worker when the enterprise could not afford to hire a worker. The fact that family and neighbors were free to help complete short-term projects, like a quilt or food for a giveaway, made these forms of small-scale production possible. A Rosebud seamstress noted, "I'd like to train my granddaughters to sew and help out with my business. I couldn't afford to hire anyone." Sometimes services were provided in exchange for some other services or goods to be reciprocated in the future. A Pine Ridge quilter reported, "When they quilt for me, I help my daughters out here and there, but I don't pay them no wages." On the other hand, as the microenterprise expanded to cash sales, sometimes a relative or close community member would be paid for their help. A Rosebud woman who made star blankets and mailed them to buyers across the United States would sew the tops and then pay her daughter to quilt them. "My kids have worked for me for a long time, and they get paid, so it helps them in training to work and earn money. I pay the same even if they're relatives."

Lakota small businesses and microenterprises directly experience the tensions between the demands of the world-economy and the obligations associated with local cultural values. In many ways, they share the experiences of other poor communities in peripheral areas trying to run their own businesses, including limited access to capital, limited access to consumer markets, and overwhelming competition from multinational corporate chains moving farther and farther into the periphery. Because the profit motive and the potential for personal wealth challenge fundamental egalitarian principles within Lakota culture, the efforts of Lakota businesspeople are not always respected by the Lakota community. Those who are generous to a fault would inevitably falter in their business and be seen as bad managers. Those who stuck to the

market-based rules of the dominant society were condemned as stingy and selfish. Obligations to family members, whether immediate, extended, or fictive, create pressures to adjust market principles to meet the needs of people who cannot pay. Community pressure to provide for those in need and to avoid the appearance of being greedy put additional downward pressure on prices for cash sales by microentrepreneurs and small business people.

In the market-based realms of production, Lakota culture still plays a role in defining the participation in and experience of wage work, microenterprise, and small business. In the more cultural realms of household production, the world-economy has a hand in moving households down the spectrum toward greater market involvement. However, the entire explanation for the motivation toward various forms of economic activity is not complete until consumption is also examined.

INCORPORATION AND CONSUMPTION

As units of consumption, households set priorities about the array of goods and services that will meet the needs of daily life. Because households are not directly controlled by corporations, resource extractors, or other dominant interests of the world-economy, they provide a private place within which varying ideologies, priorities, and identities may be expressed (Bourdieu 1984; Carrier and Heyman 1987; Wilk 1999). By determining which things will or must be purchased on the market, and by constructing social relations that work to avoid market consumption, households can play a significant role in shaping the economic potential and impact of markets within their local areas (Aglietta 1976:156–157). One of the critical junctures in the incorporation of an indigenous society into the world-economy is the introduction and expansion of cash as a necessary component of their economy. At the same time, the opportunities for generating cash remain limited and tenuous. The social relations of households, families, and communities provide the glue that makes material survival on these Lakota reservations possible.

Access to consumer goods has been constrained since the Pine Ridge and Rosebud Reservations were established. The political and economic incorporation of the Lakota into U.S. reservations had a direct impact on the type and quantity of goods that Lakota people could consume. The early years of reservation life were marked by hunger and poor living conditions. The desperation and intensity of the Ghost Dance, as practiced by the Lakota in the 1880s, has been explained by the long history of broken treaty promises combined with ration reductions that were precipitating the literal starvation of the Lakota people (Mooney 1896:767, 787, 824, 828). One Rosebud woman traced the change in economic conditions of the Lakota historically through their styles of dress.

It just makes you sad to see, how beautiful Indian people dressed and how elegant they are and then how they dwindled down and then they put them on reservations and it was just calico dresses and canvas moccasins and leather belts.... The old beautiful clothes like the

porcupine quill and the painting, and even later when they had the beads, first there was the strip beads and then the fully beaded, and then after they couldn't hunt anymore they had the blue dentillium dresses that are just gorgeous, made out of blue wool army blankets with all those tiny white shells. And then they go down to the calico, and you can just see the genocide, or the beaten people, how they changed their costumes in about sixty years.

Lakota households in the early 21st century range along a spectrum from those extensively involved in the cash economy to those nearly independent of cash transactions, although the need for cash has been increasing with greater incorporation. Consumer needs easily equal or exceed the amounts of cash that are available in Lakota communities. This increase in the need for cash is driven by several engines. First, cash demands have increased as more Lakota individ-

uals participate in wage work, taking them out of the household production networks and forcing them to replace the products of their subsistence skills and labor with purchased items. Furthermore, federal government programs in land policy, housing, job training, and welfare have all worked to discourage subsistence production and increase cash-based expenditures, both historically and currently.

Finally, there are new Lakota demands for consumer goods, especially from off-reservation stores. Many reservation residents express the desire to take greater local control of the economy and increase Lakota self-sufficiency. Buying from Lakota-owned businesses and microenterprises keeps dollars multiplying within the reservation economy. However, an expanding definition of what is “needed” poses barriers to Lakota consumers supporting import substitution. The limited number of Indian-owned stores within the reservation do not carry all the goods and services “needed” by Lakota households, leading to tremendous reliance on mainstream retail stores in border towns and regional cities. At the same time, going to an off-reservation store with discount prices imposes the high costs of traveling, either through car payments and gas or catching and paying for rides. As a Pine Ridge woman described, “When my daughter goes to Rapid [City], she doesn’t charge me, so I try to go with her. Otherwise, it’s \$30 or \$40 to get to Rapid, and \$10 to get to Chadron [from Oglala].” Nevertheless, several people commented how people are always going to town now and that the reservation society is much more mobile than it used to be.

Despite the inducements and pressures to increase cash-based consumption, there are Lakota community dynamics that help to minimize the overall amount of cash that any given household will need. Consumer demand is tempered by social attitudes against individual accumulation and greediness and toward generosity and responsibility for relatives, especially children and elder people. One point that was often raised to distinguish Lakota people from non-Indians was the values surrounding materialism and accumulation of wealth. A Lakota woman from Rosebud noted, “Because of the Lakota spirituality, it happens a lot that white people come in with their materialism and the

two aren't even able to communicate, their views are so different." A Rosebud man stated, "I don't care what I have. It's the people who matter to me." Lakota values also helped people separate their identity from the amount of cash they had to spend. A woman from Rosebud shared her viewpoint on materialism.

I think poor is a state of mind. I think that's what happens in the cities, like in the ghettos, they tell them they're poor and then they feel bad. But like here, poor is a state of mind. Some of the poorest looking people have the most beautiful looking costumes at the powwow that they made themselves. I think what's wrong in America is the American dream, that causes so much havoc in the States, that people want so much and they work so hard and then they realize they can't have everything like everybody, you know, the two car garage and the boat. But here on the Rez maybe that doesn't affect people as much.

Various forms of household production also work to limit the need for cash. Sewing, repairing cars, babysitting, and bartering goods and services all contribute to fulfilling minimum household needs without increasing the quantities of cash that households require. Households are motivated to learn to repair the plumbing themselves and save the expense as well as the inconvenience of hiring an outside professional. Clothing is another area where predominantly women engage in production for direct use to reduce the cost. Barter and trade make it possible to obtain a broader range of goods and services than a household's annual income figures would allow. When specific cash-based consumption is necessary, household production can then shift toward production for sale. A woman from Pine Ridge recalled, "I kept making quilts since 1974, but I started selling them four or five years ago. We needed some stuff like propane and gas and had little ones so we needed pampers and baby needs."

Secondhand and donated goods also help decrease cash needs. Large shipments of secondhand or surplus goods from New York and other U.S. cities were brought to the reservations. Wal-Mart donated a truckload of past-year shoes, and hundreds of pairs were placed at each of the district offices on the Pine Ridge Reservation. Yard sales help both the buyers and the sellers. A Rosebud woman explained, "My girlfriend gave me first chance at her rummage, and I spent \$30 before I was through. I felt like I should buy from her, because she and her family are going on a trip."

The central Lakota social value of generosity continues to enhance the consumption opportunities and reduce the cash needs of households within these reservation communities. Services would be performed for little or no compensation to those without anyone to help. One Rosebud seamstress mentioned, "I'm always sewing for people every day. Even now there are always people who like want me to sew their pants, people who don't have anyone to sew or alter for them." Another Pine Ridge woman mentioned, "I'll help out the elderly to wash their laundry for \$5 and some cigarettes." Those with cars would be called on to provide rides for those without.

The importance of holding giveaways and sponsoring public meals for the community continues, even though the occasions for having such public gatherings change over time (Deloria 1944:77–78; Kehoe 1989:65). Honoring ceremonies, memorials for departed loved ones, naming and adoption ceremonies, and other occasions provide those attending with food and household goods that supplement an otherwise meager annual income. Affection, appreciation, reciprocation, and altruism are all expressed through these events (Grobsmith 1981:129–130). These forms of generosity reduce the opportunity for individual wealth differentiation through accumulated cash savings or spending those amounts on personal consumption.

Lakota social relations also provide means for reducing the cash needed for housing. Housing costs are often minimized by living with extended family members on a short-or long-term basis. Land and housing were commonly provided by relatives. One couple was living in a home built on land owned by

the husband's uncle. Another couple lived in a house owned by the wife's sister, who was living in another house owned by her second husband. The reservation housing shortage also reduces the amount of wages needed to pay for housing by placing several families within one housing unit. Multiple families within a single housing unit inadvertently reinforce the *tiyospaye* concept of related households living together, as well as Lakota notions of sharing.

Cash consumption is also tempered by the peripheral position of the Lakota in the larger system of credit and finance. For both Lakota consumers and Lakota small business people, the desire for credit is greater than the amount of credit that commercial banks are willing to provide. Credit constraints exist because of the federal trust status of Indian lands. Lakota culture responds in two ways, by making limited amounts of credit available through local social relations and by fostering a value system that discourages borrowing. Textbook technical assistance preaches the need for capital to compete in the free market, but Lakota values against borrowing have limited the draw of certain Lakota enterprises further into the demands and constraints of the broader economy's financial markets.

Local reservation consumption is supported by limited forms of mainstream consumer credit as well as by community-based lending by both Lakota businesses and extended family members. Apart from bank loans for cars or trailer homes, little consumer credit is available from the formal financial institutions that are common in the dominant society. As a result, informal networks have developed to provide short-term forms of credit. Either through hocking personal items or through the personal assurances of family or friends, small amounts of cash are provided to meet specific needs within the reservation communities. Lakota small businesses and microenterprise producers often have a discounted "Indian price" that puts goods and services within reach of Lakota households with minimal cash income.

Given the constraints on opportunities to obtain cash on the reservation, consumption involves a number of competing drives. Local culture can

serve to reject further entanglements with the broader cash economy. At the same time, members of the local culture can be eager for more consumer comfort but find that the world-economy excludes them from opportunities to obtain cash. In other instances, forces of the world-economy are creating further inducements and unavoidable coercions to participate more extensively in cash transactions. In the abstract, Lakota people on the whole want nice cars, better houses, and things for their children. However, they also want some independence from the rat race of the broader society and the freedom to pursue Lakota ideals. Nevertheless, increasing consumer goods are available for those with access to the limited number of cash-producing opportunities. It is neither a black-and-white rejection of materialism nor a complete embrace of unlimited consumerism. It is a particularly Lakota balance of consumption and production. This balance is further influenced by the political context in which social identity is used to contest rights and access to the means and benefits of production.

INCORPORATION AND IDENTITY

Social identity also plays a crucial role in the incorporation process. Forces of capital work, whether in the smallest-scale transactions with a fraction of the capital class or in the global scale of transnational corporations and financial institutions. A local rancher or tourist hotel exploiting Indian workers is in turn exploited by larger commodity markets and hotel franchise corporations. The initial surplus extracted from the local level eventually contributes to the accumulation of international capital that fuels further expansions and penetrations of the world-economy. In this way, small-scale capital accumulation multiplied in thousands of similarly poor rural communities around the world does have an impact on the broader world-economy. Due to core control over economic opportunities based on social identity, Lakota household economic activities end up subsidizing the broader system.

There are legitimate debates going on within Lakota communities about the difficult choices they must make to retain a balance between economic and cultural viability. These debates embody the contemporary configuration of Lakota values and beliefs and run across several aspects of social identity, including gender, ethnicity, class, and race. Sensitivity to these competing social identities in turn informs the various perspectives on and experiences of world-system incorporation (Schmink 1984:91; Gimenez 1988:41–42; Moore 1992:135, 141). As Lakota society was incorporated into the world-economy, the identity of its members was defined by government administrators, missionaries, educators, and representatives of international corporate interests, irrespective of their identity or social status within the Lakota community. These social identities were then used to control the access of individuals and households to the economic benefits of the world-economy. Over time, these imposed identities were combined internally with traditional identities into the local economic, social, and political institutions produced as a result of the incorporation process, constituting contemporary Lakota social identities.

Gender identities have been manipulated by economic interests of the dominant economy (Leacock 1978). Lakota men and women have had

different experiences in relation to world-system incorporation, as federal programs and private sector employers have reinforced the Western ideal of women in the home and men in the workplace. Assumptions that men were the breadwinners caused hardships, as a Pine Ridge woman recalled. "When we first got married we used to work at Alliance, Nebraska. I was helping him with truck driving and doing farm labor, moving around, not just one farmer.... Him and I worked and he got all the pay." Government imposition of gender differences continued through the federal urban relocation program of the 1950s and 1960s. While there were opportunities for young, single Indian women to travel and receive training, the more typical model involved women accompanying a spouse to the new city. The economic emphasis of government programs was to get men into the workforce and leave women in the home. One Pine Ridge woman recalled

her experience with her husband. "We were in on relocation, 1965, that's how we went to California. I didn't like it. He was going to school and I was home with the kids. I don't know if he learned anything but he went to school for it."

In the contemporary economic configuration of the Pine Ridge and Rosebud Reservations, women face certain advantages as well as disadvantages in comparison to men. Women continue to be more prominent within households and more restricted within wage work settings. As educational requirements for wage jobs increase, women who left education to begin child rearing at an early age are feeling the impact. One Rosebud woman reported, "I graduated from high school, and I was working in high school. I got married when I was 19 and started having these kids and never got to go back to school. And all the jobs, I only had on-the-job training, and without education it was always the lowest pay, all secretarial work." Even those with education and skills have not necessarily gained political power or prestige, finding instead a glass ceiling for women in the workplace. Many people observed how many institutions on the reservations had men at the head in terms of title and salary but that women receiving lower pay with less prestigious titles were actually doing all the work.

However, the boundaries between formal and informal labor are more permeable for women than for men (Ward 1993:54, 59). In a peripheral reservation economy with limited and tenuous access to formal wage work positions, the greater flexibility of women to move between the formal and informal economic sectors currently offers a distinct advantage over the opportunities for men. This same permeability was a disadvantage in earlier periods of economic incorporation, however, when specialization in wage labor and commodity agriculture played the dominant role in the reservation economy.

It is important to recognize that no one set of gender relations defines all Lakota households, and generalizations that mask this diversity risk misleading conclusions about gender identity. In fact, there is a wide range of empirical settings on the Pine Ridge and Rosebud Reservations

that contradict simplistic summaries of gender relations, power, and economic access. There are households with strong male dominance, up to and including physical violence against female household members. There are households with strong female dominance and subordinated or tenuous roles for men. In the middle are an array of two-worker families, households where men are raising the children and women are working for wages, and households composed solely of grandparents and grandchildren. Lakota women are far from behaving as the passive victims of patriarchy. Female agency and resistance become apparent in local debates about the status of women in Lakota society in the past, currently, and in the ideal future. Among households, issues of ethnicity and class cut to the heart of the maintenance of peripheralization for these Lakota communities. Critical debates about methods for ameliorating the impacts of economic and political incorporation have been coopted by externally imposed concepts of blood quantum. A wide diversity of opinions and strategies are leveled under the headings of full-blood and mixed-blood. By containing local dialogue under these naturalized identities

of birth, the economic and political behaviors that perpetuate poverty and external domination continue as if they were also natural, biologically driven outcomes.

Issues of ethnicity and class immediately surface in discussions of who benefits from economic opportunities on these reservations. There are distinct perceptions about who has access to wage labor jobs, particularly full-time permanent jobs, based on the social standing and ethnic background of the applicant. Appeals are often made to the Indian blood-quantum to explain economic disparities, but the underlying social and economic components to the discrimination are apparent. One Rosebud woman who identified herself as a full-blood explained, "See with the full bloods, when you apply for a job they tell you that you don't have the right kind of training and you don't have enough schooling, so the half breeds come in and get all those jobs. That really happens." There was a common sense that the least ethnically Indian had the best opportunities. One Rosebud businessman observed, "Indian preference is a joke. They don't even apply it. Some may be Indian that get the BIA [Bureau of Indian Affairs] and tribal contracts, but just enough Indian that if they cut themselves, they'd lose all their Indian blood."

Ethnic categories and specific family backgrounds are used to identify those viewed as being better off. A Pine Ridge woman explained, "Because I don't come from one of the well-known families, I don't have the same chance." The most common perception was that people with high-level positions with the tribe or the BIA had the most control over who filled government and bureaucratic openings. A Pine Ridge woman remarked, "People in the BIA, they only help their own friends and relatives." As a result, decisions about pursuing elected office, or losing elections, have implications for the family members of the candidate as well, since within tribal government the chances of getting a job improve when you have a relative in office. As one Rosebud man put it, "Here it's all racism and families, so for me it's easier to get jobs in the city."

Both created extremes of full-bloods and mixed-bloods have been manipulated by the dominant society to achieve its economic agenda.

From 1900 to the 1950s, assimilation programs meant that the mixed-bloods were progressive, and the full-bloods were obstacles. As political winds shift to less government spending, now only culturally conservative full-bloods are viewed as “real” Indians, and mixed-bloods are no longer worthy of economic support and treaty commitments (Bordewich 1996).

The social identity of race is used to keep economic opportunities and benefits in the hands of the local representatives of core interests. Competition from Indian commodity producers or small businesses is contained by limiting their access to capital, markets, and other inputs on the basis of race. Wage work opportunities are kept in non-Indian hands. The potential of off-reservation opportunities are kept in check by social attitudes that prohibit Indian access to all but the most marginal areas of economic and social life. Education and skills can improve on the economic impacts of this negative social identity, and yet

the education systems themselves are active in the perpetuation and reproduction of marginalized Lakota workers.

Local relations between Indians and non-Indians also demonstrate that all politics is local. No matter how lofty or far-reaching a particular piece of federal legislation may sound, it has been formulated with state class relations in mind. The world-economy is in fact the final product of these myriad local political and economic transactions where social identity is used to determine who may participate, in what roles, and for what economic returns. The particular social configuration of Lakota people interacting with non-Indian representatives of core capital interests shapes the opportunities and economic access of households within the periphery.

The role race plays in reinforcing wealth appropriation by the core is nowhere clearer than in the history of Lakota land use and redistribution. In exchange for Lakota land cessions, treaties provided Lakota households with rations and other annuity goods. Ignoring advances that Indian communities had made in ranching and farming on communally held lands, the U.S. government implemented a policy of individual Indian land allotment. The stated justification for land allotment was to “civilize” Indian people by removing them from the savagery of communal land tenure and creating competitive individual farmers. In fact, the land allotment provisions of the Sioux Act of 1889 and subsequent statutes implemented on Pine Ridge and Rosebud reveal that the actual impetus behind allotment was to appropriate Lakota lands for non-Indian farmers and land speculators (Utley 1963:48–49, 1984:247–248; Carlson 1981:65, 119, 124; Albers 1983:194; Hurt 1987:135–137).

Those Lakota households who took land allotment at its word and attempted farming and ranching under BIA supervision found limited support. BIA agents made no attempts to create or target competitive market outlets for Lakota livestock, settling for sales to the nearby military posts or other temporary or limited markets. Without access to the real commodities markets, potential expansion in Lakota cattle production could not be absorbed in any lucrative fashion. Lakota ranching was

effectively limited to mere subsistence rather than becoming integrated in the market economy of commercial white ranchers (Carlson 1981:73, 123–124; Albers 1983:183–184; Hurt 1987:106, 108–109, 128, 139).

As Indian lands were removed from government trust status and made available for lease or sale to non-Indian interests, BIA agents encouraged Lakota people to lease their limited plots to large white ranchers, arguing the income from leasing was more certain than the income from raising the few head of cattle that their land would support. Lease terms, which required BIA approval, have been blatantly one-sided in favor of white lessees. Minuscule per acre payments were made, rather than percentage of profits arrangements or even per acre rates at free market prices (Carlson 1981:138–139; Albers 1983:194–96; Hurt 1987:129, 141–142, 144, 151). At the turn of the century, land sales became more and more common simply to meet the immediate needs of Lakota

families for food and clothing. Lease incomes were further reduced by depressions in the 1920s and 1930s, contracting the market for land leasing.

By the 1930s, vast amounts of Lakota land were lost, and many families were landless and impoverished (Carlson 1981:137, 139; Albers 1983:195–196; Hurt 1987:152–153, 162, 183). Non-Indian agricultural employers took advantage of the low material demands and avoidance of the cash economy by Lakota workers to justify low wages, minimal housing conditions, and no long-term employment benefits. A Pine Ridge man recalled what he earned from his 25-year employment with a rancher. “He paid me a certain amount and he bought things for me. He got me a house and all the materials I needed to fix it up. We needed wood to keep warm, so he got us a steel tank and some wood. I don’t really remember what he was paying me. I suppose while I was a ranch hand I got about \$3 or \$4,000 a year I guess. It was always enough to meet our needs.” The combined access to inexpensive lease lands, low worker costs, and payment in-kind of shelter costs allowed the non-Indian agricultural interests to accumulate capital and expand their participation in the commodities markets. At the same time, the local politics of social identity made it difficult, if not impossible, for Lakota individuals to follow the same strategy.

The social identity of race has also defined the wage work that is available to Lakota people. While federal laws have increased the number and status of positions open to Lakota workers within reservation administration, the political economy of qualification continues to limit the opportunities for better-paying professional and managerial positions. Negative social identities for Indian people deeply embedded within the local educational system perpetuate and reproduce generations of Lakota young people who are prevented from succeeding academically. As a result, non-Indians avoid competition from Lakota workers for a large array of local jobs that require academic credentials created by the dominant society. Outside the reservation boundaries, Indian social identity continues to limit job opportunities to the lowest-paying sectors. Even those Lakota people with the education and skills to access

professional positions must still contend with the racism that pervades the social areas of life in border towns and regional cities, such as housing, shopping, and the school systems.

However, there are no real incentives on the part of local non-Indians to end Lakota poverty or improve Lakota employability. Both outcomes would significantly alter the current economic relationship between Indians and non-Indians on these reservations. Institutional racism maintains the social construct of Indians as unemployed and whites as employed. The ongoing imposition of the social identity of Indians as poor, unemployed, and uneducable permeates all aspects of reservation life that involve non-Indians. Even though individual non-Indians may not be racist, they cannot escape from receiving the benefits of a social and institutional structure that keeps Indian people defined as second-class citizens. In one county school, only one of the teachers was Lakota, while all the teachers' aids and bus drivers were Lakota. A Lakota teacher at a county school described her school's employee composition.

It used to be that all the Indian people at the school were either teacher assistants or janitors. Then a bunch of us got through our certification at the same time, so it's a lot better now. Even so, there are some people with racism problems. This one woman, who is even part Indian, got mad when some kids were being threatened. "Those big Indians, they think they're so tough but they're nothing" she said. I really got into it with her over that.

The Lakota belief in individual freedom plays a role in the treatment of Lakota people by non-Indians. As a Pine Ridge woman explained, "Even though they say it is a tribal society, there is really most respect for individualism. The elders will say, 'Well, that is you,' and they won't tell you what to do or insist on any conformity to their opinion." Lakota conceptions of proper behavior also ran counter to the mainstream views of social confrontation over political issues. A Rosebud woman agreed. "For many Lakota people, it is our belief in individual freedom that keeps us from confronting people who express racist ideas or behaviors in front of us." Being forceful and stating your opinion were often associated with non-Indian behavior. As a Pine Ridge woman recalled, "I grew up in [the border town of] Batesland, so people attribute my *iwasicuness* [mouth-like-a-white-person-ness] to that, being so forward, always talking and sticking up for myself." The world-economy has injected negative social identities on indigenous peoples as they have been incorporated into broader economic and political systems. For the Lakota, social identity plays an economic role at the level of households, communities, reservations, and regions.

CONCLUSION

By examining the day-to-day experiences of economic incorporation, it is possible to account for the ways in which culture produces adaptive strategies that actually make material survival feasible within the conditions of poverty and racism of the world-system. The Lakota have successfully resisted many of the aspects of forced incorporation, despite more than 100 years of federal attempts at social engineering. In Pine Ridge and Rosebud, the trajectory of economic incorporation has been culturally influenced by the values and practices of Lakota households.

Lakota individuals and households are involved in market-based transactions but continue to interpret these transactions in light of Lakota history and culture. Depending on the demands of the wider economic system, Lakota households alternate between greater reliance on kin-based relations of production and greater reliance on market-based relations. The entrepreneurial nature of the Lakota, evident in the early buffalo fur trade, continues as new forms of local enterprise integrate the social rules of behaving like a good relative. Whether for cash-based or reciprocal exchange, Lakota households are providing and purchasing products of a distinct Lakota style and tradition. The cultural identity of the Lakota remains alive and well in the 21st

century. Incorporation has provided new mechanisms not only for transforming Lakota culture but for preserving it as well.

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Chapter 16

Cyberactivism and Alternative Globalization Movements

Lauren Langman, Douglas Morris, and Jackie Zalewski

The globalizing potentials of information technology led to major changes within the modern world-system. A basic change is the major transformation of capital from an international system dominated by powerful nation–states to a global system dominated by transnational firms and their regulatory agencies, various intergovernmental organizations (IGOs), and nongovernmental organizations (NGOs). Globalized capital has become decoupled from the Westphalian system, deterritorialized and respatialized through globalization. Notwithstanding these changes, capitalism remains a system of domination, exploitation, and despoliation of the environment. Globalization has depended on a number of technological innovations of production and communication, especially dependent on the microchip, computer, and electronic networks of financial flows and investments. But the Internet needs to be understood dialectically. On the one hand, the Internet is the means through which capital sustains its profits, coordinates its activities globally, and maintains its hegemony. However, the Internet also can be used as a medium for resistance, *cyberactivism* or Net-based organizing that provides communication and community building and various social actions in which progressive social movements are also developing into global organizations, such as the alternative globalization movements (AGMs) that first came to widespread notice in the North with the Seattle anti-WTO (World Trade Organization) protest. This chapter discusses various modes and problematics of globalized social movement activism using the case of AGMs.

ECONOMIC GLOBALIZATION AND DOMINATION

Contemporary globalization began in the 1960s with post-Fordist manufacturing and the restructuring of manufacturing, finance, and marketing. Digitali-

zation, miniaturization, and computerization have enabled new forms of manufacturing and new forms of control and command that have reshaped economic, political, and cultural systems. Computer-mediated electronic information transfers are among the most significant moments of globalization. The widespread use of information technologies has enabled the decoupling of production from the geography of consumption. Anything can now be made anywhere and shipped anywhere in a short time. Lower labor costs, coupled with lowered costs of transportation, led to massive shifts of production from core to semiperipheral areas, while market and financial centers remained in the global cities of core countries. Capitalist firms expanded across national boundaries and located plants, offices, warehouses, and distribution centers throughout the globe. This has been a major factor in what has been called the “deindustrialization” of the advanced economies and, in turn, a loss of high-wage jobs in engineering, bookkeeping, management, and above all, production to low-wage countries—in what has been called the “race to the bottom.”

Transnational capital, embodied in transnational corporations (TNCs) controlled by a transnational capitalist class, plays the dominant role in economic, political, and cultural life; many of the top firms control more wealth than do most countries (Sklair 2000). This new elite consists largely of upper-echelon managers, owners, and entrepreneurs. It further includes various upper-echelon politicians, national elites, and regulatory agencies administrators. While globalization is an abstract concept, its effects are very real. Consider the free trade zones of Mexico, Nicaragua, Samoa, or China. These plants embody economic degradation, especially of women, environmental hazards, and quite often human rights abuses. Globalization, in its neoliberal form, can be seen as a multifaceted system of domination and exploitation with five relevant moments: economic, political, cultural, environmental, and social justice-oriented (including civil rights, feminism, sexual preferences, and other areas of rights). As Teeple (1995) has argued, neoliberalism has served as an ideology for TNCs, which like the Protestant ethic demands sacrifice and self-denial as the path to achieve wealth and prosperity. But

it is the poor who must sacrifice while the elite of TNCs travel on their private jets between their three or four homes.

Globalization has produced enormous wealth, but at the same time there is now greater inequality within core economies and between core and peripheral economies. Further, globalization has produced vast amounts of pollution, and much of this waste is sent to peripheral sites. Moreover, certain parts of the world are so bereft of resources that they are relegated to “Fourth World countries” destined to remain poor and mired in poverty, illness (especially AIDS [acquired immunodeficiency syndrome]), and civil violence. Insofar as globalization is a form of capitalism, and capitalism is a system of class domination, there have been episodic resistance and progressive mobilizations.¹ Globalization, dependent on the Internet, has fostered a variety of social movements and mobilizations that use the very same Internet to challenge and contest the neoliberal version of globalization. Various alternative globalization movements

would proffer another version, if not a vision, of a progressive globalization devoted to the good of humanity and care of the earth rather than the profits of an elite few.²

The intertwined consequences of globalization have become the basis of a variety of protests, resistances, and mobilizations. Above all, we are witnessing the rise of a collection of diverse, progressive social movements joined by a common critique of globalization and/or its consequences. We have seen a growing conflict between the domination of TNCs and the ability of people to control their lives, live better lives, and enjoy a clean environment.

FIRMS, FLOWS, AND RESISTANCE

As Sassen (1998) and Castells (1996) have demonstrated, an essential moment of globalization consists of flows of electronic information, capital (legal and illegal), and human populations. To understand social movements today we must also consider global flows of culture, international military/police actions, environmental toxins, and cyberactivism—or informationally mediated social movements. The coordination of a global firm typically involves thousands to hundreds of thousands of daily computer-mediated transactions across hundreds of offices, plants, and/or research centers throughout the globe. Financial transactions from ATM (automatic teller machine) deposits/withdrawals to stock trades flow through electronically integrated global networks. These networks have enabled the internationalization of currency markets in which currency speculations, investments, and payments have become ever less dependent on geographic proximity and location. So too have electronically mediated information flows transformed politics and culture, usually in terms dominated by European politics and culture. There are also massive flows of people moving across the globe, from the TNC elites in their private jets to the millions of poor seeking better jobs in cities, especially those in the developed world. Certain industries such as elite hotels, restaurants, and airport lounges cater to the elites. Likewise, certain smugglers and exploitative employers encourage the migrations of the poor. Also among the global flows are increasing amounts of toxins

and the destabilizing results of industrial production.

The Internet is a foundational moment of contemporary globalization. The Internet has made once-private information available to a greater number of people. Actions of private corporations and governments are now more transparent, accessible to larger numbers of people—much of which those in power might not wish public. In many authoritarian states where governments control information and the media, a variety of “alternative” Web sites are popping up—as has been happening recently in the Middle East. Insofar as the global economy depends on vast networks, these same networks have the potential of offering new forms of communication, resistance, and progressive mobilization—as has been well noted by Castells (1997) and Dyer-Witheford (1999). The growth and maintenance of the Internet have fostered an intertwining of

local and global systems, a “glocalization” that has become a central theme for our age (Robertson 1992). The global impacts the local (and individual), and the local structures the nature of the global. While the globalized economy has become deterritorialized, it is nevertheless territorially instantiated. Otherwise said, global systems are grounded in local spaces and nodes of control that are concentrated in the administrative and service facilities found in the global cities (Sassen 1998). While the TNCs marshal global resources, and global institutions increasingly manipulate/control nation–states, the control functions that appear in the local nodes can be sites of protest. In the AGMs, social actions are organized around local protests at global conference sites and/or command-and-control centers. Yet these local actions are organized and publicized through international networking facilitated by the Internet.

Domination seeks to maintain itself, but it continually fosters challenges and resistance. To sustain their hegemony in a historic bloc, the transnational capitalist class attempts the ideological control of cultural understandings to secure the “willing assent of the masses” to ruling-class interests. But hegemony is an ongoing process that continually faces contestations. Capitalism created the proletariat, and while the workers did not overthrow capital, labor did achieve many reforms and benefits. Such reforms coupled with nationalism and consumerism, however, have sustained its hegemony. We suggest that the resistance to neoliberal economic globalization is a historical juncture not unlike the early decades of the 20th century, when labor challenged the power of industrial capital and/or the bourgeoisie state. We are now at a historical juncture in which global capitalism, networks of rarely democratic states, and various oppressive cultural hegemonies may be either challenged or sustained by reformist strategies or democratically transformed by social movements being organized through the Internet. Following Castells (1997) and Dyer-Witford (1999), we suggest that the various strategies of resistance to globalization are intertwined with the production of collective identities.³

COLLECTIVE IDENTITIES AND SOCIAL TRANSFORMATION

Many contemporary social movements are organized around articulating collective identities, usually engaged in pursuit of some public good(s). Castells (1997:311) notes that identities may be formed based on reflexive life planning in civil society or in social traditions. The affirmation of identity is a source of meaning (311). As nationalism has waned and citizenship-based identities become less salient, people are apt to embrace identities that locate themselves in alternative “communities of meaning.” Following Castells, we suggest that there are four types of collective identities:

- *legitimizing identities* that sustain the social order—typically these have been nationalist, religious, or often both;

- *resistance identities* that may be progressive or reactionary attempts to oppose globalization and its impacts;

- *project identities*, such as feminism, gay rights, or environmentalism, that reject patriarchalism and renegotiate and/or refashion new forms of tolerant democratic identities; and

- *ludic identities*, which locate subjectivity in the liminal antistructures of late modern mass culture that privileges privatized hedonistic indulgence. In any society, most people internalize dominant values, enact its typical routines, and reproduce the social structure (Giddens 1991). The various forms and sites of consumerism/mass culture such as audienceship, fandom, or hedonistic lifestyles may be expressions of cultural resistances and inversions, but they lead either to passive assent to the dominant political economy or to withdrawal from political concerns (Boggs 1999). While such “ludic” identities may often valorize cultural resistances, such as World Wrestling Federation fans and rave scenes, ludic identities are most likely to withdraw from political action to liminal sites of resistance.

As Castells (1997) suggests, various “project identities” are emerging that would renegotiate or refashion subjectivity along more progressive, humanistic lines, locating people in more egalitarian, nurturing communities that are free of exploitation and more tolerant of expressive values. Project identities clearly contest globalization’s legitimating identities as well as the apolitical or anti-political identities. These project identities constitute a fundamental challenge to late capitalist modernity in which rational technologies colonize various dimensions of our lives, including the future reflexive constructions of collective identity, creative expression, child rearing, family life, work, the pursuit of pleasure, all organizational spheres, and mastery of the natural world (Habermas 1975; Giddens 1991; Hochschild 1997).

Project and resistance identities evolve in social movements through relationships in which communication channels and technologies constitute and inform the network of action. Melucci (1996) characterizes collective identities as emerging within an interactive process in which

social networks define their values, meanings of their actions, and fields of opportunities. Created and negotiated in ongoing processes in these movements are often-contradictory values and meanings. Part of what is at stake is an emotional investment by social actors in which certain fundamental values and meanings are not entirely negotiable. Commitments become the basis for forming new movement organizations that seek to transform traditional social forms and eventually lead to new cultural institutions. Lichterman (1996) has argued that in new social movements commitment is primarily grounded in the expressive interests of individuals (who frame resistance or transformative collective identities while exercising expressive interests) and *not* in the prior communitarian identification with a group, religion, or nation, as in many previous movements. He also notes that some movement groups (and coalitions) draw on both expressive individualism and collective identifications. Castells (1997) argues that in a network society

the values and aims of various collective identities play a more central role in organizing social action than do the structures of nation–states.

As globalization has fostered a waning of the nation–state and as individual states are losing the power of economic self-determination, various social movements have responded by globalizing their activities. For example, we note the expansion of the spheres of action of individual organizations, the networking of NGOs, and the Internetworking of diverse social movements. We would suggest that in the last few years a new project identity has emerged—a global justice or progressive alternative globalization identity—that challenges the hegemony of neoliberal globalization and embraces an alternative vision of globalization devoted to greater equality, empowerment, cultural diversity, and environmental sustainability. Some AGM networks, especially in the North, are creating this new collective identity. Certain union/labor parts of the movement are wedded to a more traditional resistance identity grounded in collectivist socialist projects. In the age of global communication, subjective meanings, collectively understood, hold the power to sway society. In this light, the influence and action of media and information networks are a central dynamic in the globalization of society, including various aspects of social movement activism, as we discuss in the case of the alternative globalization movements below.

DEMOCRATIC BEACHHEADS IN CYBERSPACE

One of the central themes of the various alternative globalization mobilizations has been the concern with social justice, fostering a world in which the various forms of democratic-expressive identities can be articulated—emancipated from various forms of domination and/or degradation. Here, we suggest an integration of Habermas’s notion of the public sphere and LaClau and Mouffe’s (1984) formulations of radical democracy as pluralistic articulations of identities. For Habermas (1975), the public sphere consisted of an intellectual realm and spatially situated realm of discourse in bourgeois civil society.⁴ Various philosophical and political ideas were debated, and people made efforts at what he would later term “undistorted communication,” discourse that would aim to

create truth-speaking situations.

Globalization, made a reality by the Internet, has made possible a new “public sphere,” albeit located in virtual space. Today, we are witnessing a rhizomatic explosion of Net media. Persons with the minimal level of resources may create Web sites, listservs, message boards, online databases, and so on, where information and ongoing discussions are readily available. This new, virtual “public sphere” is structured in a many-to-many exchange of information that mitigates against commodification or the centralization and privileging of particular views. Moreover, these virtual salons create places where a variety of otherwise silenced voices can be heard. The proliferation of alternative mediums of discourse via the Internet creates the possibility of a radical democracy where a variety of progressive/expressive project identities not only might be articulated

but also might freely cohabit. LaClau and Mouffe's (1984) notion of radical democracy celebrates just such a variety of subject positions. However, their framework does not consider how such identities emerge within and impact upon the political economy. In other words, identities located in particular class/gender/race positions either defend the political economy as legitimate, ignore it by escape to the ludic, or resist domination and seek progressive social transformation. One of the most important aspects of the AGM struggles is the polyarchy of subject positions forming diverse coalitions.

For a widespread democratization of society, there is need for both the critical rationalism of Habermas in which undistorted communicative interaction enables a deepened understanding of social liberation potentials in a given culture and LaClau and Mouffe's (1984) open toleration of multiple cultural bases, which engage in extended dialog or in cultural translation as suggested by Lichterman (1996). But communicative practices are not sufficient. We must return to Marx and the need for redressing political economic inequalities as the basis for democratic cultures. Communication theories of the potential of the Internet cannot make us lose sight of the necessity of shared power in the political economy, or else those who will be doing the translating and structuring of the Internet will privilege their view and exclude others.

Another challenge for democratic theory in a global age is the matter of scale. How do we locate decision-making and control processes at the various levels of society: local, national, global? Some agreements are needed at a global level, such as the Kyoto Protocol. Some at a local level, such as expanding a city park system. An inclusive democracy must do the hard work of balancing local autonomy and global protections of liberty and sustaining the environment. Brecher, Costello, and Smith (2000) define such a flexible approach, termed "subsidiarity," as a principle in which decisions are made as close to the level of implementation as possible. In this model, strong local democratic civic institutions and global regulatory processes that control capital are complementary.

In addition to the new public sphere inhabited by cultural pluralities in cyberspace, there is also a structural plurality of local sites that contextualize resistance at the global level. To organize a democratic information society, Dyer-Witheford (1999:193) distinguishes four distinct moments: “a guaranteed annual income, the creation of universal communication networks, the use of these in decentralized participatory counter-planning, and the democratic control of decisions about techno-scientific development.” While struggles in each of these areas might in Dyer-Witheford’s terms establish its own “beachhead,” the Internet allows these beachheads to share some intelligence and personnel and, on many occasions, join together as a progressive force contesting neoliberal globalization. Social movements and projects in civil society are working in all of these spheres. Specifically in relation to democratizing access and use of the Internet, there are efforts being made to bridge the digital divide, such as by community technology centers; planning and development of the social public use of the Internet, as by various advocacy projects and in the practices of the

independent media movement; and making the technical design of the Net a public project, as in the free software/open source movement.

CYBERACTIVISM AND SOCIAL MOVEMENTS: TOWARD A NEW POLITICS

The nature of social mobilization is changing before our eyes.

“Cyberactivism,” the extensive use of the Internet to provide counterhegemonic information and inspire social mobilizations, is a new phenomenon in which a variety of new forms of movements and protests are using the most modern information technologies. Some organizations and efforts have been local, such as the Zapatistas. Some movements have focused on specific issues, such as the Landmine Treaty or dolphin-safe tuna fishing. Finally, some of the Web-mediated alternative globalization mobilizations have had a major impact, such as the widely publicized protests in Seattle, Washington, D.C., Melbourne, Prague, Porto Alegre, and Quebec City. The emergence of such movements requires us to take stock of their causes, to understand how the Internet is used to recruit participants and what the fate of such movements shall be. We would like to suggest that there are four main types of cyberactivism:

- Internetworking,
- alternative media,
- direct cyberactivism (hacktivism), and
- contesting and constructing the Internet.

We define these as follows. *Internetworking* is the use of the Internet to expand and coordinate movement activities and organizations.

Alternative media via the Internet is a form of cultural resistance and democratic communicative practice on a global platform, covering many

local, national, regional, and global issues—realizing the potential of the Internet as a new virtual public sphere. Other aspects of Internet media are making privileged communications and information of corporations, nation–states, and other groups more available and enable the countersurveillance measures that labor and interested groups have taken against police. *Direct cyberactivism* is the use of the Internet as a primary strategy to satisfy political ends in which cyberactivists disrupt Net activity through electronic civil disobedience, for instance, in “virtual sit-ins” and in “hacktivism,” where hackers appropriate or disrupt technologies for personal and political ends. A major aspect of *Internet contestation* is over the structure of Internet media and technology.

The nature of the Internet is being worked out by think tanks, government agencies, social policy, civil institutions, industry, and social movements. To understand the potential of cyberactivism, it is important to explore how Internet technology itself may be designed to facilitate or inhibit democratic interaction.

One fundamental issue is the use of open-source software codes. Another significantly important issue is closing the digital divide as a necessary part of empowering the victims of the information revolution and increasing their ability to form alliances with other sectors in contesting for broader political power. Overcoming socioeconomic disparities is a precondition for widespread use of the Internet for education and democratic political participation. It should be noted that many organizations working on Third World development and eradication of poverty use various Internet media to network and increase awareness of their causes. The World Social Forum (and similar planning and solidarity networks) centrally address an alternative economic model of globalization. Included in their agenda is democratizing the Internet and using the Internet on various fronts.

Cyberactivism today is a diverse realm of activity. Yet there is a commonality, the valorization of the democratic promises of the Enlightenment and the many-to-many linking power of information technology. What is especially important to note is that while many of the issues addressed by cyberactive movements have a long history, these histories have been localized and the influences between them indirect. The critical issue for today is the extent to which the Internet and information technologies have become important aspects of coordination and control of the new movements across the globe. Furthermore, one of the key features of these movements has been the extent of Internetworking in which various heretofore diverse coalitions of human rights activists, feminists, environmentalists, and trade unionists join in concerted actions. Thus, unlike many traditional social movements, these are not single-issue agendas, nor are the issues they address likely to wane in the distant future.

A GLOBAL JUSTICE COLLECTIVE IDENTITY

Cyberactivism, as the distinctive feature of AGMs, is grounded in real and recognizable human interests and relations of power that are mystified. Rulingclass interests and class domination are rendered opaque by a mass-mediated culture of consumerism that fosters desires for the possession of objects and pursuits of mass culture in which the

historically arbitrary is naturalized and ruling-class interests are seen as “common sense” and serving of the general good. In an era of unabashed consumerism and branding, TNCs are seen as benevolent, providing the “goods” life (Sklair 2000).

Some networks that resist forms of global domination are forming an alternative globalization movement sphere in which a number of movements collaborate on AGM mobilizations and projects. Waterman (1998) notes that old labor movement organizations are now forging links with new social movements such as feminist organizations. International environmental groups now participate in social justice and labor issues. Peace movement strategies include social justice and environmental work. Coalitions or networks of diverse movements around single and sometimes multiple issues have become a more common form of

organizing (Tarrow 1995). There are now so many types of movements and the world is so interconnected that by necessity movement actions overlap. The use of the Internet has led to fundamental changes in social movement activity beyond coalition building. Today, diverse movements now seem to be joining in supermovement spheres, or networks of networks, to quickly organize, mobilize, and undertake actions with local and global impact. These extensive networks may become significant global actors, rearticulating power in various social domains. These movements are interwoven both in the biographies of individual activists, who move from movement to movement, and through movement networks.

There has been a proliferation of various universal/global social justice and rights charters, created by various extensive movement networks. These universal rights statements, such as the Hague Agenda for Peace, the Earth Charter, Charter99 for Global Democracy, and recently a statement by the World Social Forum, overlap in member networks and closely cohere in advocating social justice initiatives in many social domains such as economic and political democracy, respect for cultural diversity, and environmental sustainability (Morris 2000). In addition to organizational linkages, social actors like the Greens (Spretnak and Capra 1986) and critics like Black Feminist theorists (Collins 1991) have developed social justice theory and action agendas that are intentionally multidimensional. The AGMs have inherited this legacy of inclusive rights platforms and inclusive political theory. Movement Internetworking and global charters are telling signs of the broadening of movement activities and their expansion into a global sphere.

A BRIEF OVERVIEW OF THE ALTERNATIVE GLOBALIZATION MOVEMENT

On June 18, 1998, a small group of activists circulated a call to action that mushroomed into the anti-WTO protests in Seattle. The protests in Seattle, D.C., and so on, brought to the spotlight the neoliberal capitalist agendas of the WTO, the International Monetary Fund (IMF), and, the World Bank. Seattle and the protests since are not a new movement. They joined with long-standing, ongoing resistances to globalization from

the South. Anti-IMF/World Bank protests in the South go back to 1985. Writing about the INPEG (Iniciativa Proti Ekonomické Globalizaci, or Initiative against Economic Globalization) Countersummit (at the Prague September 26 protests), Ella Saltmarshe quotes Naomi Levin on this history:

Since 1985 there have been over a hundred anti IMF/World Bank demonstrations in the South. Bolivians, Nigerians, Ugandans have been standing up to the International Financial Institutions for over fifteen years. The stories of the activists from Brazil to Botswana, here in Prague, at the People's Global Action Conference, further discredits this idea of a northern imposed movement. Levin said that if June 18, April 16 [D.C.] and

September 26 [Prague], are perceived as something new, this is because the issues of the South are finally finding a place on the streets of the North.

The perceived novelty of this movement as “disenfranchised middle class Western kids involved in a kind of misplaced advocacy” is incorrect (Brecher, Costello, and Smith 2000:11). The movement originated in the South, and the North is catching up.⁵

The Seattle call to action led to a coalition of organizations forming an organizer/activist network, the Direct Action Network Continental (DAN), to work together to coordinate the November actions. The Seattle protests interrupted the WTO organizations and disrupted downtown Seattle for several days. The event was notable for the convergence of a highly diverse activist base for actions that included union-organized marches. DAN also helped organize the April 16, 2000, anti-IMF/World Bank protests in Washington, D.C., but seemingly (so one report mentions) ran into conflicts with labor organizers and, despite sincere efforts, were unable to organize well in the minority communities of Washington, D.C.

In September 2000, AGM mobilizations picked up. The Melbourne Independent Media Center (IMC) reported on the extensive protests against the World Economic Forum (WEF), a gathering of elite business interests in Australia. In late September, the Prague protests were seminal in several ways. In a countersummit, called the people’s “Global Action Conference,” movement directions were debated. Violent protests by some relatively small groups of anarchists led to the Prague IMF/World Bank meetings shutting down a day early. While the press reported the violence, most of the peaceful protests were held by a vast majority of the 20,000 protesters in a nonviolent partylike atmosphere (pointing to the expressive green side of the movement). In response to the closing of the IMF/World Bank meetings, a Prague Declaration was published by a group of NGO representatives at the protests, including statements that speak to the inclusive, global, and general view of the AGM protests.

In October, protest actions were held in Austin, Texas, in Montreal, Canada (G20 meeting), and in Korea. In November, there were protests by thousands in India against a World Bank–funded dam and protests in Cincinnati of the Trans-Atlantic Business Dialog, an elite business forum. In November, the chairperson of the WTO held an online chat at the (IMC) main Web site. In December, there were extensive protests in Turkey regarding the devastating effects of globalization in their country, and in Europe large protests were held at the European Union (EU) Summit. Attendance at protests in 2000 was not always high, but the issues and coverage were usually similar in the mainstream press: Alternative globalization protesters are violent. With the increase in protests at less key meetings came a dilution of participation. In conversations with several IMC organizers, we found this perceived shift in alternative globalization strategy: There are a lot of meetings by liberal elites, and activists are realizing that they have only so much time. Hence, recent strategizing by organizers has

been to focus on major meetings of the IMF, World Bank, and WTO and where new international neoliberal economic treaties are being negotiated, such as the actions in Quebec City against the Free Trade Area of the Americas (FTAA) negotiations in April 2001.⁶ Preorganizing mobilizations and protests, including 10,000 persons protesting in a FTAA meeting in Buenos Aires in early April, built toward several days of large protests against the main FTAA conference. With the anti-FTAA mobilizations, there was a clear innovation in tactics in response to the wall erected by the Quebecois provincial government. Protest organizers made an explicit call to embrace all forms of protest, with separate zones dedicated to passive nonviolent, active nonviolent, and direct-action protests. The police foiled this separation of protests by indiscriminately firing tear gas on all, including the passive nonviolent protest sites. Should police repression increase, future protests promise to be even more confrontational. One result was that in anticipation of massive protests, the World Bank canceled their June 2001 meetings in Barcelona. While Seattle and Barcelona can be seen as strategic victories for the AGM and all of the protests as contributing to expanding mobilization, media coverage, and outreach, in focusing on conflict, both the alternative and mainstream press tend to overlook the importance of the constructive successes of the AGM mobilizations. With the aim of effecting long-term transformation of globalization, constructive efforts such as the World Social Forum (WSF), the people's summits at the large AGM mobilizations, and the Indymedia network are playing a very important role in fostering new alternative globalization public spheres.

THE WORLD SOCIAL FORUM

In January 2001, a fundamentally important step in the development of a broad alternative globalization sphere was taken with the meeting of the World Social Forum in Porto Alegre, Brazil. The WSF, which will be an ongoing yearly event, is a constructive response to the forces of economic globalization. The WSF was organized as a countersummit to the WEF. The WEF, which meets yearly in Davos, Switzerland, joins elites of TNCs with heads of various nation-states and also with NGO and IGO leaders to consider international social policies and issues. To

quote the WSF's mission statement:

The World Social Forum will be a new international arena for the creation and exchange of social and economic projects that promote human rights, social justice and sustainable development. The World Social Forum will provide a space for building economic alternatives, for exchanging experiences and for strengthening South-North alliances between NGOs, unions and social movements. It will also be an opportunity for developing concrete projects, to educate the public, and to mobilize civil society internationally. The World Social Forum developed as a consequence of a growing international movement that advocates for greater participation of civil societies in international financial institutions such as the International Monetary Fund (IMF), the World Bank, and the World

Trade Organization (WTO). For decades, these institutions have been making decisions that affect the lives of people all over the world, without a clear system for accountability and democratic participation.⁷

The WSF has been well covered in the alternative media but barely mentioned in the mainstream North American media. The forum focuses on a positive vision of social justice and democracy that complements the AGM mobilizations. The general forum had a diverse field of participants, including various major politicians, NGO organizers, rank-and-file members of hundreds of social movements, and scholars that discussed neoliberal economic globalization and social justice organizing. Far exceeding expectations, 10,000 people attended various aspects of the conference. Over 1,600 press members were present to report. However, only a dozen North American press representatives attended.⁸ Nevertheless, an independent press network was formed to coordinate coverage and share resources.⁹

In that the WSF has been critiqued for centralized coordination, it is important to note the organizers. Brazilian unions and NGOs organized the WSF. The Brazil Workers Party (Partido dos Trabalhadores, PT) provided conference facilities and funded much of the forum. PT is in power in the city of Porto Alegre and the state of Rio Grande do Sul and has been praised for its participatory planned budget (ironic, given the complaints about lack of democratic process in the WSF planning). The conference was partly conceived by ATTAC (Association pour une Taxation des Transactions financières pour l'Aide aux Citoyens), a coalition of European unions, farmers, and intellectuals that was founded by Bernard Cassen and Susan George of the socialist monthly *Le Monde Diplomatique*, to campaign for implementation of the Tobin Tax on international financial speculations (Morris 2000). So the WSF was organized by a network of unions and those agreeable to their views and methods and critical of the undefined focus of AGM in North America.

The WSF is not meant to be a policymaking body; rather, it establishes a site, a “globalized public sphere” that includes a virtual aspect through streaming video and postings of forum proceedings. During the forum,

various levels of global networking were engaged. Several parallel ongoing meetings were organized: A forum of hundreds of parliamentarians from many countries met to discuss progressive issues and initiatives; and a forum of local authorities met. Hundreds of NGOs were represented.

During the WSF, over 400 workshops were offered on a wide range of topics. In the workshops and plenary session panel discussions, participants investigated many strategies for how an alternative form of globalization could be developed with central attention to the general areas of democratic economic development, building political solidarity, preserving cultural diversity and the environment, and forwarding global social justice through the Internetworking of movements. Forums of local officials and legislators from many countries met to explore strategies for solidarity. Strategically speaking, workshops were organized in

four main topic areas: the production of wealth and social reproduction; access to wealth and sustainability; civil society and the public arena; and political power and ethics in the new society.¹⁰ However, the overriding strategy was, and is, that movements, NGOs, and progressive political representatives develop democratically a complex practical agenda for alternative globalization. The theme of the WSF was “World Social Forum: Another World Is Possible.”

FREE MEDIA AND THE ALTERNATIVE GLOBALIZATION MOVEMENTS

The Seattle IMC is a Web-based media service that was created to cover the Seattle anti-WTO protests. In the last year and a half, IMC, or Indymedia, has multiplied itself, rhizomatically branching out into a decentralized global network.¹¹ The IMC is a network of over 50 local media centers (with dozens more starting) with a global media center and global organizing processes, all coordinated mainly over the Internet. Indymedia inherits the ongoing sense of a mission to offer a media that provides radical critique and news stories not covered by the mainstream press. In Seattle, IMC provided extensive text and video coverage of the protest’s activities and brutal police actions that protesters successfully resisted, turning the IMC coverage into a unique frame on an important watershed event in the history of modern movements fighting to overcome global inequality. Seattle coverage mixed accounts of the street battles with notes by local residents’ reports of outrage at having their neighborhoods gassed and editorial commentaries about the wrongs of the WTO.

Since Seattle, the IMCs have offered thorough coverage of many of the AGM protests, such as those in D.C., Melbourne, Prague, and Quebec. In 2000, the IMC network (global and various locals) covered actions, such as “the MayDay2000 Global Day of Action, Resistance and Carnival against Capitalism,” the protests at the U.S. presidential political party conventions in Los Angeles and Philadelphia, and the EU protests in Nice as well as a great variety of local issues. During AGM protests, it is not uncommon for notes to be posted to the network from companion

protests from around the world, expressing solidarity with the main protests. In general, news items from around the globe are mixed with polemical posts that sometimes engender debates on the philosophy and strategies in mobilizing for social justice.

A catalyzing reason for starting some, but not all, of the IMCs has been to cover AGM protests. Major protests are also a major mobilization point of the network, as when hundreds of IMC volunteers mobilize from many locals to offer comprehensive and timely coverage of major protests.¹² Such confluences of effort lead to the translation of friendships formed in cyberspace to friendships sustained in comradeship in the press office and field. And such events socialize new volunteers into technical media skills, strategies for covering protests, and streetwise tactics of avoiding and dealing with tear gas and on-the-spot reporting.

Indymedia is creating not only a diverse media network but also a committed corps of journalists seasoned in the challenges of covering major protests.

Content and policywise, the IMC network is a free press network, conceiving itself as a comprehensive alternative, activist, grassroots media service. While in part growing out of the AGM protests, based on extensive observation and review of IMC literature, it is very clear that the IMCs are conceived of as an independent and free press network and cybermovement (that are developing in parallel and synergy to the AGM protests), which cover global struggles against social inequality and oppression and for social justice. A central code for Indymedia is to be an open source of information on many issues and to run its editorial policy and management of activities in a grassroots participatory manner. This IMC statement of purpose from the global Web site, September 2000, reads: "The Independent Media Center is a network of collectively run media outlets for the creation of radical, objective, and passionate tellings of the truth. We work out of a love and inspiration for people who continue to work for a better world, despite corporate media's distortions and unwillingness to cover the efforts to free humanity."¹³

While the Indymedia network was formed in part to cover alternative globalization movements, on many fronts it seeks to make a more fundamental challenge to the mainstream media's role in maintaining social inequality. The IMC network aims to direct its mission in a participatory democratic manner. Through early 2001, the IMC network was relatively informal in terms of decision-making and coordination processes. On April 28–29, 2001, the IMC locals held a convergence in San Francisco to deal with issues of goals, internal processes, and decision making.¹⁴ At the meeting, IMC had some challenges in negotiating among a diverse body of organizers but managed to begin to craft a global charter and decision-making process. In general, through the confluence of an open publishing policy and democratic production processes the IMC network is intentionally creating a volunteer, locally autonomous, participatory alternative public sphere that overlaps with

various AGM networks (and on the technical side with the free software movement) in practices, membership, strategies, and goals.

A note of concern and optimism: While the AGM movements are early in the cycle of creation, as the IMC network and WSF undergo institutionalization of aims, practices, and goals, certain movement organizations and philosophies, radical or reformist, may gain a controlling influence on the networks, which could divide the AGM sphere among competing global efforts or lead to a broader base of support. This may lead to a fragmenting of momentum or to the development of new robust global civic institutions as conflict is negotiated into shared agendas.

CONCLUSION

Since the very beginnings of recorded history, people have organized themselves to collectively achieve certain goals. In the face of what may be perceived

of as adverse social conditions, they have sought to change those conditions. Notwithstanding, the wealth and power of the TNC has become a profoundly inegalitarian system and undemocratic. Insofar as TNCs operate beyond control of the nation–state, their actions are not accountable to any public, nor do TNCs require any plebiscite or mandate. This antidemocratic system, existing in a world that embraces democracy, creates the very kind of contradiction that impels social action.

Today, given the nature of globalization as a form of capitalist domination in a networked society, the long-standing quest for a democratic society and egalitarian social relations, personal fulfillment, and now a clean environment has become intertwined with new technologies of production and communication. We have seen that neoliberal globalization, a product of the intertwining of capitalism and these advanced technologies, has led to unique forms of resistance and social mobilization. AGMs have emerged as a response to the injustices of globalization. What needs to be noted is how these mobilizations are informed by and informing of the same global networks and information technologies at the foundation of TNCs.

An expression of the search for justice, the alternative globalization mobilizations have organized a wide variety of protesters around mostly common themes (if for different purposes in some cases). Striking is the extent to which diverse groups have quickly embraced the Internet as an alternative media and means of communication and coordination. Perhaps more striking is the potential of hacktivists to directly and significantly interrupt the global flows of information and capital, whether as acts of destruction or as direct action tactics that are part of a social justice agenda. Consider the impact of the recent prankster attacks on major commercial Web sites in 2000. Insofar as the circuits of TNCs depend on the Internet for their operation, and trillions of dollars of commerce flow through financial networks and tens of billions are exchanged through Web sites, cyberactivism—in its hacktivism form, whether protectionist or globalist, whether inspired by Left or Right ideologies—becomes a powerful tool for direct action against TNCs and

agencies. Perhaps most encouraging is that the World Social Forum is exploring broad democratic development of positive strategies for alternative globalization to the common purpose of global justice. We believe that together these alternative globalization fronts, these networks of networks forwarding global justice, hold great promise.

Yet before we herald the new utopia of democratic justices envisioned by the AGM, we must raise certain questions. Will the AGMs be a short-lived moment that will be crowded out by the rampant consumerism and computainment of the Web? Or are we witnessing the emergence of a genuine set of transformative movements seeking to create, as we propose, a better, more democratic and just world? We have seen a long history of progressive movements emerge, garner headlines, and almost as quickly wane. Might this same fate happen again? We think not. This is due to a number of factors: First are the counterhegemonic uses of information media in various types of cyberactivism; second is the emergence of a global justice collective identity; and third, through the World Social

Forum and people's summits at AGM mobilizations, the AGM sphere is becoming self-conscious and proactive, grounded in linking many real struggles with many critical voices and progressive policy visions. The cultural consequences of the globalization of movements are profound. Today, globalization has fostered both oppression and the means of resistance via the transformative potential of Internet-based global justice movements. Though the forces of transnational capital are growing in the information age and various types of structural domination persist, given enough social vision and social action, global democracy and social justice remain possible.

NOTES

1. Cultural movements and cultural politics are modes of resistance to the commercialization of culture, but by no means are they the only available mode of resistance to globalized capital.

2. The Seattle mobilizations and onward are sometimes referred to as the antiglobalization protests in the alternative and mainstream press. We use the term "alternative globalization" to emphasize the constructive aspects of the AGM mobilizations (such as the World Social Forum, people's summits, Indymedia network, and the Internetworking of many networks to create the mobilizations). The term "alternative globalization movements" refers to the multiple efforts and movements involved in the mobilizations and related actions.

3. There is a rich literature in social psychology showing that members in such movements (and humanistic/expressive lifestyles) tend to be low in authoritarianism, tolerant of ambiguity and diversity, and antimaterialistic and value creativity over conformity—often deviant from the norms.

4. In early modern Europe, technology was already facilitating the widespread distribution of ideas. The printing press made it possible for the widespread distribution of books and pamphlets. Further, with the development of postal systems, people could send each other letters. At one time such letters were likely to be highly sophisticated, lengthy expositions of ideas.

Prior to the antineoliberal regulation movements in the South, in the 1970s southern nations formed the G-77 and initiated dialog with northern countries to pursue cooperative economic development. The northern countries dropped this effort in the eighties and began promoting the neoliberal policies of the IMF/World Bank. From that time on, protests grew, while Third World

5. NGOs continued to advocate alternative development strategies. In the Seattle 1999 WTO talks, Third World governments again took up the alternative strategies challenging the WTO from within, while protestors challenged them from without (Brecher, Costello, and Smith 2000:11). The possibility of linking the impetus and critical vision of protesters and progressive policy was realized in the World Social Forum 2001 meetings.
6. See these Web sites: <http://www.quebec2001.net>/<http://www.stopftaa.org/>
7. WSF mission statement:
<http://www.forumsocialmundial.org.br/eng/quem.asp>
8. See <http://www.commondreams.org/headlines01/0126-01.htm>
9. On WSF press network, see http://www.indymedia.org/front.php3?article_id20476

10. See <http://www.forumsocialmundial.org.br/eng/1conf.asp>
 11. See <http://www.indymedia.org/>
 12. For a discussion of the emerging AGMs and protests, see Brecher, Costello, and Smith (2000). Greider (1997) is a powerful indictment of globalization.
 13. See <http://www.indymedia.org/>
- The IMC network meetings were held at the 25th annual Press Freedom
14. Conference hosted by Project Censored. See <http://www.projectcensored.org/>

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Chapter 17

Transnational Advocacy Networking: Labor Rights Movements and Nicaragua's Maquilas, 2000–2001

Tom Ricker and Dale W. Wimberley

It is important not to confuse this buzz of transnational networking with the real cross-border solidarity that will be needed to push for greater equity and justice in actually existing workplaces and communities.

Crane 1999:166

BACKGROUND

On May 10, 2000, the following email was circulated to the more than 6,000 subscribers of the Campaign for Labor Rights listserv:

Total expected activity (leafleting, letter writing, petitions): 98 actions in 80 cities!!! Organized with only two weeks lead time before the May 8–21 mobilization. And reports of new plans continue to come in every day for leafleting actions at Target outlets (Target, Mervyn's, Dayton's, Hudson's, Marshall Fields) and Kohl's outlets. The reason for all of this action: "In response to a request from the union representing the Mil Colores workers, we have called for leafleting actions at Target stores (Target, Mervyn's, Dayton's, Hudson's, Marshall Fields) and Kohl's stores. Both companies have some clothing produced at the Mil Colores factory in Nicaragua's Las Mercedes free trade zone [FTZ]."1

Nicaragua has the smallest free trade zone sector in Central America. However, it leads the region with the highest percentage of FTZ workers represented by unions. There is now serious union-busting taking place at four or more factories in Las Mercedes. Mil Colores is the hottest of the flashpoints, with more than 200 union workers fired and 68 facing trumped-up criminal charges. Destruction of the free trade zone unions in Nicaragua would be a setback for the entire region.2

By the end of May, the Campaign for Labor Rights estimated that more

than 125 various actions had been organized in 99 different U.S. cities in response

to this and previous email “action alerts.” This call to action was just one in a series of transnational efforts to support workers in Nicaragua’s assembly-for-export factories (maquilas). Since 1996, organizations in the United States and Canada have engaged in several advocacy efforts for Nicaraguan maquila workers.

How does one mobilize thousands of Americans in 99 cities to protest on behalf of Nicaraguan workers? How effective can such mobilizations be? Answering these questions is crucial for understanding workers’ changing position in the political economy of the world-system. Though transnational activism—especially for labor rights—is hardly a new phenomenon, it has blossomed in the past decade (Frundt 1996; Armbruster 1998). Some scholars are skeptical about transnational networks’ transformative effects (e.g., Tarrow 1998), but others argue that the surge in transnational associational life is reshaping the social basis of politics (Lipschutz 1992; Wapner 1995; Smith, Chatfield, and Pagnucco 1997).

Although we cannot resolve this debate, our inquiry into mobilization for Nicaragua’s maquila workers does illuminate the process of building and operating transnational alliances. Specifically, our chapter’s purpose is the explication of internal dynamics and contentious action in this advocacy network’s most recent mobilization: the struggle on behalf of workers at Nicaragua’s Mil Colores and Chentex maquilas during 2000 and 2001, with particular emphasis on network actors based outside Nicaragua. By exploring how groups advocate for workers in the current period of corporate globalization, we identify enormous challenges confronting activists and how some of them might be overcome. We also demonstrate the highly contingent nature and limited impact of contentious action in this sphere. We base our analysis on network documents, news reports, and interviews and meetings with participants in the struggle.

Even though it has only begun to focus on transnational movements, current social movement theory guides our analysis. This “synthetic” body of theory emphasizes complex relationships among resource

mobilization, political and other structural opportunities, strategic framing of grievances and their solutions, strategies and tactics of contentious action, and other factors (e.g., McCarthy 1997; Smith, Chatfield, and Pagnucco 1997). Put briefly, social movement activity involves a cycle of organizational adaptation (Ricker 2001). A change in opportunity structure, including changes in opponents' activities, affects a movement organization by altering the organization's level of resources and/or the efficacy of the existing organizational frame and contentious activity. Individuals within the movement organization interpret (frame) these changes and try to adapt the organization's activity. Then the organization acts, potentially altering opportunity structures, and the cycle repeats itself.

We adopt the term transnational advocacy network (TAN) to describe the relationship among organizations and individuals that constitute the mobilization base of the Nicaragua labor rights struggle (Keck and Sikkink 1998). Keck and

Sikkink define a TAN as “those relevant actors working internationally on an issue, who are bound together by shared values, a common discourse, and a dense exchange of information and services” (1998:2). They argue that networks are more efficient and adaptable than hierarchical forms of organization and tend to develop in conditions of uncertainty. Thus, networks form principally as media through which information can be transmitted quickly and delivered to targeted audiences. As communicative structures, the power of a TAN derives almost exclusively from activists’ ability to symbolically frame information. This framing is used for at least three purposes: education, mobilization of activists, and calling on potential allies for support.

ISSUES OF THE 2000–2001 CAMPAIGN

By August 1999, 11 unions with 1,187 members were registered in seven different factories there, with collective-bargaining agreements in four of these seven facilities—making Las Mercedes the most unionized export-processing zone (EPZ) in Central America. But July 1999 saw the beginning of many setbacks for the unionization campaign, as leaders of a new CST (Central Sandinista de Trabajadores) union at Chih Hsing—owned by Nien Hsing Corporation of Taiwan—were fired. By April 2000 that union had been decertified.³ The JEM III maquila, owned by JEM Sportswear, Inc., of California, fired CST union officers and members beginning in December 1999. The TAN initially targeted JEM III, but to no effect as the layoffs were part of the gradual shutdown of the company’s Nicaraguan operations. Action alerts were sent out via the CLR’s (Campaign for Labor Rights) listserv, and faxes were sent in the names of subscribers to the Latin America Emergency Response Network (LAERN), in which several TAN members participated. These actions seemed to have no effect on the company’s behavior, however. JEM owner Jeff Marine merely responded that his workers were treated well and that those workers he was firing had committed sabotage.⁴ By midyear the facility would close.

These firings were followed by similar events at Mil Colores in January 2000 and at Chentex in May. The Mil Colores factory is owned by Miami

businessman Craig Miller, whose family had once been in the garment manufacturing business in the United States. This one plant constitutes his entire business. By his own description, he spends most of his workweeks in Managua and returns home each weekend, running the company from a notebook computer and cell phone when he is away from the factory. In 2000 Mil Colores contracted through an intermediary with U.S. retailers including J.C. Penney, Target Corporation, and Kohl's Department Stores and produced apparel sold under Arizona, No Fear, Ocean Pacific, and High Sierra labels. As the year began Mil Colores had about 700 employees and a legally recognized CST union. Union members elected a new executive board on January 10. Mass firings began January 11 with the dismissal of new union secretary general José Domingo Martínez Es-

quivel. On January 21 Miller fired 50 more workers who were active union members. In response, many workers went on strike on Monday, January 24, calling for reinstatement of their colleagues and complaining of minimum wage law violations, delayed wage payments and social security contributions, failure to pay bonuses, and other abuses. When the strikers attempted to return to work and management refused entry, an altercation broke out between strikers and plant security and police. Ultimately, Miller fired 150 workers who went on strike and brought criminal charges against 68, plus Pedro Ortega, for breaking windows during the confrontation. Miller justified the initial firings with a claim that no union existed at the time and that the fired workers had long records of substandard performance; he said he waited until January to dismiss them so as to avoid firing them during the Christmas season.⁵

Chentex is one of several factories in Las Mercedes owned by Nien Hsing—Nicaragua's largest maquila operator—a large Taiwanese textile and garment manufacturer with additional operations in Mexico and Lesotho. Chentex made denim garments for U.S. merchandisers including J.C. Penney, Bugle Boy, KMart, Wal-Mart, Target Corporation stores, and Kohl's Department Stores. As of early 2000 the plant had 1,800 employees and made 20,000 to 25,000 pairs of jeans per day. Its legally recognized CST union existed alongside a CTN-A union (Central de Trabajadores Nicaragüenses—Autónomo) that CST union activists considered to be a company union (*sindicato blanco*). The unions' initial contract with Chentex, signed in August 1998, lacked provisions for a pay increase but did state that wage negotiations would reopen in one year. The CST union reiterated its wage request in late 1999, calling for what amounted to an 8 cent (U.S.) raise for each pair of jeans; according to TAN organizations, Chentex workers made about 20 cents per pair. But management repeatedly asked to delay negotiations over a period of several months. Eventually the union leadership concluded that negotiations delayed had become negotiations denied. After the Ministry of Labor (MITRAB) declined their requests for mediation, the union held a one-hour work stoppage the morning of April 27, 2000. Chentex's response was to fire the nine-member CST union executive board, an act

that took effect on May 26. In a June 1 letter posted on the National Labor Committee (NLC) Web site, the nine union officers conveyed the significance of their case to U.S. activists and asked for support:

Ours is not an isolated case. It is occurring in the context of a strategy of the destruction of the democratic and representative unions inside the Las Mercedes of Nicaragua free zone. In the last six months, management has broken the unions of free zone companies, JEM III, Chi-Sing [Chih Hsing] and Mil Colores. Now they are trying to destroy the largest and strongest union in the Nicaraguan maquila. This is really a life or death struggle. If Chentex is destroyed, it could be the end of the union movement in the maquila industry in Nicaragua.... We ask you to pressure the North American companies such as KMart, Kohl's, J.C. Penney and Wal-Mart.⁶

To help them with living expenses while they fought the firings, the union officers also asked for contributions, collected by the NLC. Over the next several months Chentex fired hundreds more CST union supporters.⁷

ESCALATING TACTICS: JANUARY–JUNE 2000

Immediately following the January 2000 wave of firings, Pedro Ortega, along with CENIDH (Centro Nicaragüense de Derechos Humanos) lawyer Bayardo Izabá and workers from Chih Hsing, Jem III, and Mil Colores, held a press conference in which they threatened to file a complaint with the International Labor Organization (ILO) and to begin a campaign to cancel Nicaragua's trade privileges with the United States under the General System of Preferences (GSP) and the Caribbean Basin Initiative (CBI) because of labor rights violations. The GSP threat was later abandoned. However, discussions about the potential impact of the ILO and CBI strategy encouraged renewed collaboration among U.S.-based members of the TAN, who would have to be involved to achieve a review of Nicaragua's trade status by U.S. officials. Staff with the Nicaragua Network, Witness for Peace, the National Labor Committee, US/LEAP (U.S./Labor Education in the Americas Project), and the Campaign for Labor Rights discussed the potential impact of a CBI campaign, as well as alternative strategies. In February these organizations were joined by former members of the working group on labor rights, Quixote Center/Quest for Peace and the Upper West Side/Tipitapa Sister City Program, to facilitate coordination of the new campaign.

As the firings spread from JEM III to Mil Colores, Nicaragua Network and Witness for Peace staff came to view the developments as a large-scale, possibly coordinated union-busting operation in the EPZ, and they framed the new threat this way in their emailed pronouncements to U.S. supporters:

The new management of the free trade zone and a new administration in the Labor Ministry appear to be playing a key role—if not the coordinating role—in the escalation of antiunion activity.... [We want] to give the unions' adversaries (the Nicaraguan government, free trade zone

management, factory managers) good reason to believe that a failure on their part to abide by Nicaragua's constitutional guarantees of the right to organize will create labor unrest and international pressure likely to result in foreign disinvestment in the free trade zone.⁸

This alert asked supporters to circulate a petition calling on MITRAB, Las Mercedes managers, and the owners and managers of JEM III and Mil Colores to make sure the fired union supporters were rehired and antiunion activities in the zone stopped. The petition warned these targets, "Retailers are increasingly sensitive to the public's concerns about labor practices and are strongly motivated to avoid becoming the focus of consumer campaigns which can affect their profits. Companies avoid doing business with factories facing international condemnation for their union-busting activities."⁹ The petition also raised the pros-

pect that U.S. and other overseas activists would complain to buyers of the EPZ's products, leaflet these buyers' retail stores, and ask U.S. and other foreign governments' trade officials to intervene.

At about the same time, the U.S. embassy in Managua began taking a more active role in the EPZ labor conflict, apparently as a result of earlier TAN actions. The previous November, for example, CLR had asked grassroots activists to fax the ambassador in Managua to complain of EPZ-related embassy actions that had "every appearance of reflecting an anti-labor bias and hostility toward human rights on the part of the U.S. State Department." A week later CLR stated that hundreds of people had reported sending faxes.¹⁰

After the Mil Colores firings, an embassy official told WFP's (Witness for Peace) Alys Willman that an unnamed member of Congress had contacted him with concerns about the Mil Colores firings, having received information about it from Witness for Peace. The embassy official responsible for labor matters investigated the firings. Craig Miller later said that U.S. embassy staff had obtained from him "the files of every person who was fired."¹¹ In March 2000, consistent with the embassy's heightened attention to EPZ labor conflicts, a fulltime labor attaché, Mario Fernandez, was stationed at the embassy. WFP staff were in frequent contact with Fernandez, sharing detailed information about the conflict with him and receiving information in return. Willman was convinced that Fernandez strongly pressured Miller to resolve the conflict in a way relatively favorable to the union.¹²

On March 28, the NLC wrote to Target and Kohl's executives, calling on them to pressure Mil Colores to rehire the fired workers and drop the criminal charges. Only Kohl's responded, and then only to note that it was doing an investigation. Later in April, Kohl's had the accounting firm PriceWaterhouseCoopers inspect the factory for labor violations; Target had an unnamed auditing firm conduct an inspection on April 24. According to the retailers, neither inspection uncovered labor violations. TAN organizations criticized Target and Kohl's methods, which involved foreign strangers interviewing workers at the factory itself, as inadequate

to reveal the problems at the focus of their campaign (Corder 2000).¹³ Nonetheless, the retailers' responses did indicate that the TAN's challenge had gotten their attention.

In response to the minimal impact of all its previous messages to the corporate and government actors in Nicaragua, the TAN now launched a new, highly visible, aggressive tactic: demonstrating and handing out leaflets at Target Corporation and Kohl's Department Stores's retail stores across the United States, two major Mil Colores buyers. These firms played a key role in the TAN's strategy because they were the actors over which U.S. consumers would tend to have the strongest, most direct leverage. With two new members added to the stateside working group—US/LEAP and TecNica, both having been previously involved in the Nicaragua labor campaign—Campaign for Labor Rights issued a call on April 24 to the 7,000 subscribers now reported to be on its email list to prepare to act May 8–21. The email alert stated, "Union represen-

tatives of the Las Mercedes workers have issued an urgent call for international solidarity to pressure those who have the power to end these anti-union attacks”—specifically, MITRAB and other segments of the Nicaraguan government, the management of the Corporation of Free Trade Zones, the owners of the offending factories, and the U.S. retailers who contracted with them. CLR’s alert reviewed the attacks on the unions and firings of over 300 workers at Chih Hsing, JEM III, and Mil Colores and the 68 workers facing criminal charges from Mil Colores, as well as signs of increasing trouble at Chentex (where firings of union members would begin in late May), noting the workers’ increasingly desperate situation: “Already hovering at or below the subsistence level when they were receiving paychecks, these workers now are in desperate straits as they consider how they will feed their families.” Thus the TAN framed to prospective grassroots supporters the severity of suffering among the workers, the identities of targets who had the power to end it, and the fact that Nicaraguan representatives of the workers had asked foreigners to intervene in this way.¹⁴

The direct focus of the May Nicaragua leaflettings was Mil Colores, where there seemed to be a realistic prospect of victory given the continued vitality of both the factory and the union it was trying to break. The leafletting campaign made two demands on Target and Kohl’s: (1) press Mil Colores to rehire those fired, drop criminal charges against 68 workers, and recognize and negotiate with the union, and simultaneously (2) continue to buy from Mil Colores. CLR asked for notification from groups planning an action and provided leaflet masters, sample press releases, and other materials that would be needed by local leafleteers; the camera-ready leaflets were distributed rapidly by email.¹⁵

The grassroots response was strong and widespread. By May 1, CLR listed notices it had received of at least “tentative” plans for leafletting in 42 cities in 20 northeastern, southeastern, midwestern, and western states. By May 10, CLR reported “definite” and “completed” actions in 62 cities in 26 states across the United States. Later, CLR reported a total of 134 actions in 104 cities without listing specific cities. Among these

actions was a protest at Kohl's annual stockholder meeting in Milwaukee on May 23, where about 30 people demonstrated outside. Inside, the Sisters of St. Francis of Assisi in Milwaukee introduced a shareholder's resolution in support of labor rights, which received 8 percent of the votes (sufficient to reintroduce it at the 2001 stockholder meeting), and a representative of the Roman Catholic order read a statement by fired Mil Colores worker Rosa Esterlina Ocampo—on a speaking tour of the United States funded by members of Interfaith Center for Corporate Responsibility (ICCR)—about her experiences in the factory (Wesolek 2000).¹⁶

The TAN next called for 30 consecutive days of leafletting Kohl's and Target stores from June 17 to July 16. By June 17, CLR listed "definite or probable actions" for 14 of the 30 days; CLR eventually stated that there had been "more than 75" actions during this period. Local groups planning or executing these leaflettings were diverse, including local groups of WFP supporters, church groups, peace organizations, progressive college student groups, economic jus-

tice organizations, and labor groups. During late June, Pedro Ortega supplemented these actions with a U.S. speaking tour that included Milwaukee, Minneapolis, Baltimore, Chicago, Denver, and Washington, D.C.; he also met with U.S., Taiwanese, and Inter-American Development Bank officials as well as UNITE (Union of Needletrades, Industrial, and Textile Employees) garment union leaders. Ortega helped generate U.S. media attention, particularly when he attempted to meet with Kohl's and Target officials at their corporate headquarters. A staff writer for a Minneapolis newspaper—in Target's hometown—wrote, "Under [Target's] guidelines, we needn't be troubled when confronted with the horrendous conditions under which so many people live and work. Instead, we need merely shrug and say, 'Hey, it's not our problem. Let's go shopping!' " (Grow 2000: B2). Mil Colores dropped its pending criminal charges against all but four union members and Pedro Ortega himself while Ortega was touring the United States, suggesting that the publicity had some effect. Requests for letters to campaign targets continued along with these leafletting actions and media events, and the NLC collected donations to cover living expenses of fired union activists (Pabst 2000).¹⁷

The U.S. segment of the TAN also raised publicity in Nicaragua itself, another new tactic. The TAN alerted Nicaraguans in general that there was concerted foreign support for the maquila unionists and generated bad publicity for government and corporate officials. Members of the TAN purchased an advertisement in *El Nuevo Diario*, a major daily Nicaraguan newspaper. The June 5 advertisement, an expression of solidarity for the union members who had been fired, was signed by over 90 organizations from the United States, Canada, and Europe. Also, Charles Kernaghan of the National Labor Committee led four high-level delegations to Nicaragua during 2000, participants in which included U.S. labor and religious leaders, including Roman Catholic Bishop Thomas Gumbleton of Detroit, and Ohio Congressman Sherrod Brown. The first delegation was over a period of several days just before the *El Nuevo Diario* advertisement, with the others occurring in July, August, and September. During these delegations he held press conferences with Pedro Ortega,

Chentex union head Gladys Manzanares, and CENIDH's Bayardo Izabá, commonly resulting in photos of Kernaghan holding up a pair of pants in the Managua newspapers. Neal Kearney, general secretary of the Belgium-based ITGLWF (International Textile, Garment, and Leather Workers' Federation), also made multiple visits to Nicaragua. Kearney publicly warned Mil Colores and Chentex that if they did not improve their labor rights records "it will be hard for you to sell your products anywhere in the world."¹⁸

These efforts helped raise awareness within Nicaragua about the scope of the solidarity effort in the free trade zone and internationally. While Managuans were generally aware of the free trade zone and would offer opinions about working conditions in the EPZ, they were not very likely to know that the workers had such international support. The press attention within Nicaragua was crucially important for expanding a domestic base of support and thereby

giving workers potentially more leverage. The press accounts also underscored to maquila union activists the degree of support they enjoyed internationally, important for their continued morale and commitment in the face of difficult circumstances.¹⁹

ELITE INTERVENTION, LITIGATION, AND THE SPREAD OF CONTENTIOUS ACTION: JULY 2000–MAY 2001

By mid-2000, then, the TAN's core organizations had established the extrainstitutional tactics they would follow throughout the struggle with Mil Colores and Chentex. During that next year, however, new and more institutionalized means of engaging their targets, as well as the geographical expansion of existing forms of extrainstitutional contentious action, came into play.

In July, the TAN received outright support from U.S. Congressman Sherrod Brown. Brown, a Democrat who represented a northeastern Ohio "rust belt" district where labor unions historically had been strong, was part of the NLC's July delegation to Nicaragua. He framed the labor struggle in Nicaragua within a larger context of trade policy: "Corporate willingness to exploit low-wage, poverty-stricken populations will not change unless we make it happen.... If Congress and the labor community work together, we just may turn the tide of globalization and bring accountability into U.S. trade policy" (Brown 2000). Immediately upon his return to the United States, Brown recruited 67 other Democratic representatives to sign a letter to President Bill Clinton decrying the conditions at Mil Colores and Chentex, calling "for an investigation of laborrights abuses, in order to determine various Central American countries' and firms' eligibility" for Caribbean Basin Trade Partnership Act provisions that would continue favorable treatment of Nicaraguan apparel exports to the United States and reduce tariff and nontariff barriers to imports of other Nicaraguan products. "These are supposed to be conditional on acceptance of internationally recognized labor rights" (Ross and Kernaghan 2000:25; also see Dunne 2000; Hajewski 2000; Noticen 2001).

Representative Brown had been an opponent of the Caribbean Basin

Trade Partnership Act of 2000, which became Public Law 106-200 on May 18 and would go into effect in October. Much of the opposition to the bill had come from representatives with strong ties to labor and environmental groups. Over the next several months the office of the U.S. Trade Representative would assess countries in the region for eligibility for the bill's benefits, a political opportunity for the TAN to exert pressure on Nicaragua (Lobe 2000). The NLC framed the application of this law to Nicaragua as pivotal: "It is clear that this is a turning point case. If, on the eve of the expansion of NAFTA trade benefits to Central America and the Caribbean, the companies are allowed to destroy these unions, chances for workers to organize and defend their rights in Nicaragua's assembly industry will be set back for years, with serious repercussions for labor rights in the entire region."²⁰

Meanwhile, by August 2000, Witness for Peace staff in Managua were actively mediating between Pedro Ortega and Mil Colores owner Craig Miller, an effort that would contribute to a fairly successful outcome for the union at that maquila. WFP staff had long been in routine contact with Ortega and more recently had been talking to Miller frequently. Although WFP did not participate in negotiations directly, it worked to bring these opponents together, as described by longtime WFP staffer Sharon Hostetler:

We see very clearly our role as not one to negotiate. That is the workers' role, and we have nothing to do with that. I think we see our role as providing a bridge, somewhat, and in this case, actually encouraging Craig to sit down and talk to Pedro—Craig who had said, "I will not talk to Pedro," [but we said] to Craig, "it's in your best interest to negotiate with the workers."²¹

Miller and Ortega first talked on August 15 and continued discussions to set an agenda for formal negotiations. Hostetler believed that the action of an organization operating in Nicaragua and in a position to coax Miller to negotiate—whether WFP or another group—was an important complement to the pressure of leafletting campaigns back in the United States. She agreed with a suggestion that WFP played something of a "good cop" role opposite the "bad cop" of the current leafletting effort, the latter pressuring Mil Colores while WFP helped provide a way out; but there is nothing in WFP staff's statements or past behavior to suggest that WFP deliberately created such countervailing forces within the TAN. The observation that more "extreme" social movement organizations may push targets into the arms of more "moderate" ones is a familiar theme in social movements literature.²²

While Target and Kohl's never gave any indication that their behavior was shaped by activists' efforts, and while Miller seemed to deny that the leafletting campaign in the United States had influenced his decision to negotiate, Miller did tell a WFP delegation that the campaign posed a serious threat to the existence of his company through its impact on the retailers:

Could the campaign hurt? Yeah, it can. Is it something that I'd like to see go away? Yeah, absolutely.... [as opposed to activists] going to my customer's customer and leafletting...that we are, you know, a horrible [place to work].... The true end result if that really takes hold is 900 unemployed people. And I don't know if that's the result you guys are really looking for. But you go to Kohl's, you go to J.C. Penney and you start leafletting them, and they say, "You know what? This is just a thorn in our side. You know, it's one of probably 5,000 [contractors] who are working for us. Make 'em go away. Get rid of 'em." You know, they go to my customer [an intermediary between Mil Colores and the retailers] and say, "You know what? Stop using that factory. Go to another one. We don't care." And they do. My customer's fine. Kohl's is fine. *These* people [Mil Colores employees] are now looking for work.²³

However, to fulfill its role as a mediator, WFP found it necessary to temporarily pull out of the core "working group" of the TAN, which continued to call

for protests against Mil Colores's firing of union members; in particular, WFP had to distance itself from the National Labor Committee. On August 14, Kernaghan and a delegation of religious leaders including Bishop Thomas Gumbleton entered Las Mercedes to protest as workers arrived for work. At the same time a WFP delegation arrived at Las Mercedes to observe the thousands of people entering the EPZ to start their workday and to meet with fired union activists. Although it was quite easy for anyone to enter the outer gate of the zone along with the crowd, and although previous WFP delegations had done so, WFP staff ordered this delegation not to enter because any identification of WFP with the NLC's current activity might imperil the delegation's ability to meet with Miller later and, more generally, imperil WFP's credibility with and ability to continue talking with Miller and other officials in the zone—particularly considering that Miller's scheduled talks with Ortega were a direct acquiescence to the campaign's demands.²⁴

These complications within the TAN did not end at the EPZ gate. When the NLC delegation left Nicaragua on August 16, its public profile was so high that immigration officials met Kernaghan at the airport and, in effect, deported him on his scheduled flight (when he led a fourth delegation in September, Kernaghan was removed from the plane in El Salvador before he could reach Nicaragua, at the request of Nicaraguan immigration officials). When the August delegation left Nicaragua, fired Mil Colores worker Rosa Esterlina Ocampo (as well as fired Chentex union leader Gladys Manzanares) went with them to go on a second speaking tour in the United States—potentially making WFP's role in the Nicaraguan side of the conflict even more difficult. Demonstrations were held against Kohl's along the ten-city speaking tour route. The rest of the stateside TAN members were still taking actions against Mil Colores as well. The campaign received helpful media exposure on August 18 when an extensive National Public Radio report about the struggle aired.²⁵

The U.S. portion of the TAN shifted its strategy in early August, having made

a strategic decision to designate Kohl's its primary focus until that

company agrees to use its influence with the factory management; Target remains a focus, but secondary to the emphasis on Kohl's. Although both companies are in a rapid expansionary phase of opening new outlets (and thus have heightened vulnerability to consumer pressure), Kohl's is considered the more susceptible to pressure because it is much smaller than Target. The coalition decided to make a particular example of Kohl's and, especially, to turn the grand openings of its new retail outlets into a public relations disaster for the company. Once Kohl's is convinced to use its leverage with Chentex and Mil Colores, Target and other U.S. retail customers of the conflicted factories are likely to see the handwriting on the wall and intervene with factory management in Nicaragua in order to avoid going through what Kohl's is experiencing.²⁶

The TAN's efforts to enlist support from the U.S. government continued to bear fruit, an outcome no doubt aided by Democrats' strong—and for the TAN,

opportune—need for labor support in a presidential election year. In late August U.S. Undersecretary of Labor Andrew Samet met with union leaders and government officials in Nicaragua to communicate the U.S. administration's apprehension over the status of labor rights in the maquilas.²⁷

Soon after beginning talks with Ortega, Miller dropped the remaining criminal charges against Ortega and fired workers, and by early September the TAN announced an easing (but not elimination) of pressure against Mil Colores because of this progress and Miller's apparent willingness to continue negotiations; on September 29 CLR circulated an alert that leafletting actions against Mil Colores were to be halted at the workers' request. On November 17, Miller signed an agreement with the CST garment workers' federation to rehire 26 of the union workers fired (with the passage of nearly a year, many of the 150 fired had taken other jobs and not been inclined to return to Mil Colores) and recognized the union. The union "committed itself to improve worker discipline, efficiency, and quality," and Ortega "felt that this was a victory for both parties and should be publicized as such."²⁸ The previous day, 3 of the workers being rehired had returned to work, the other workers to be rehired within six weeks.²⁹ Thus ended the campaign against Mil Colores. Although the outcome was not an absolute victory in that the ten months of delayed resolution was costly for the union and the fired union supporters, it was substantial in that union activists returned to this maquila.

The campaign continued full strength against Chentex, where management had won appeals to MITRAB legitimating their firing of union leaders. General Manager Lucas Huang had stated he would commit suicide before he would rehire the union leaders. Leafletting actions in the United States, now primarily aimed at Kohl's but with some continuing focus on Target, had restarted in earnest on September 25. Some of United Students Against Sweatshops' (by now a member of the U.S. working group) local affiliates participated; in Ann Arbor, ten University of Michigan students were arrested, as described by protestor

Rachel Edelman:

Ten of us marched into the Kohl's store, demanding that the Kohl's store manager contact the CEO of Kohl's, and demand that the fired Chentex workers be reinstated, and that Chentex negotiate in good faith with the union.... After milling about the store stuffing sweatshop-info sheets into Kohl's clothing (and being followed by Kohl's security), we whipped out our bullhorn. We loudly notified shoppers of Kohl's unacceptable complicity in the union-busting at Chentex, as we marched and chanted around the store for a good ten minutes. We were then told that the store manager refused to make the phone call to Kohl's, and were asked to leave the store. After refusing to leave until our demands (and the workers' overall demands) were met, we were put under arrest, and charged with trespassing.³⁰

NLC staff members and two fired Nicaraguan maquila workers on a speaking tour also participated in this protest. CLR reported that this new round of protests

included about 100 actions in over 80 cities, some involving over 100 protestors.³¹

On October 3, Representative Sherrod Brown's July letter to the president culminated in U.S. Trade Representative (USTR) Charlene Barshefsky's statement to Nicaragua's foreign minister—who went to Washington to meet with Barshefsky as a result—that “failure to improve the labor rights situation in the free trade zones could well put at risk Nicaragua's access to preferential treatment under the Caribbean Basin Initiative.”³² Barshefsky's letter specifically noted the Mil Colores and Chentex cases (Dunne 2000; Hajewski 2000; USTR 2000).

On October 10, Nien Hsing's Lucas Huang made a proposal to the CST Chentex union and scheduled preliminary talks. TAN organizations publicly presented this development optimistically, but it proved to be the beginning of a long series of delaying tactics by Nien Hsing. The initially scheduled talks were postponed. Over the next seven months Nien Hsing would repeatedly negotiate a verbal agreement and then refuse to sign the written agreement at the subsequent meeting, similar to its mode of interaction with the union in wage negotiations prior to the Chentex firings. However, that Nien Hsing was negotiating at all strongly suggested that the company was feeling heat from the USTR and other aspects of the TAN's campaign.³³

The September–October wave of demonstrations was repeated November 25 through December 10 for the benefit of holiday shoppers. The TAN now called on demonstrators to enter Kohl's stores singing “sweatshop carols” and otherwise causing disruption. Among the labor organizations participating, alongside a diverse set of other groups, were Jobs with Justice, the UNITE garment workers' union, and the United Steelworkers of America (USWA). Fifteen people were arrested for civil disobedience at the Kohl's store in Roseville, Minnesota, on November 25.³⁴

In November, U.S. actions were augmented by support for the fired Chentex workers from students and representatives of several Taiwanese

labor federations—a development facilitated by Taiwan’s recent democratic reforms. On November 6, about 60 protestors with Taiwan Solidarity with Nicaraguan Workers demonstrated outside Nien Hsing’s Taipei corporate headquarters, reading a list of ten “crimes” committed by the company against Nicaraguan workers and criticizing the Taiwanese government’s subsidies to Nien Hsing and its foreign aid to help Nicaragua build Las Mercedes. Protestors also attended Nien Hsing’s annual stockholders’ meeting two days later, disrupting it with announcements about the U.S. Trade Representative’s actions, the international campaign for the Chentex workers, and a November 7 statement from Taiwan’s economic ministry that companies’ labor records would be taken into account in the government’s decisions about foreign investments.³⁵

The Taiwanese government itself intervened the following month. If the government needed more than moral motivation to be responsive to U.S. public opinion, it certainly could be found in the island-state’s complex relationship

with the People's Republic of China, its lack of diplomatic recognition by the United States and most other countries, and its dependence on the United States (and thus U.S. public opinion) for arms and diplomatic pressure that helped maintain its de facto independence. On December 19, representatives of CLR, the AFL-CIO (American Federation of Labor–Congress of Industrial Organizations) and its International Solidarity Center, and several other organizations in the TAN met with Chien-Jen Chen, Taiwan's equivalent of an ambassador to the United States, giving him copies of statements from AFL-CIO President John Sweeney and ITGLWF head Neal Kearney. Chen reciprocated with his own written statement urging Nien Hsing to rehire the fired Chentex union leaders, a position later reiterated by officials in Taiwan. On January 2, Taiwan's Parliament held a hearing on the labor conflict with Nien Hsing executives in attendance; the chair of the hearing publicly concluded that the foreign affairs ministry should not provide subsidies to Nien Hsing if labor rights violations continued and that the government's Labor Insurance Fund (which owned about 5 percent of Nien Hsing's stock) should consider the company's labor record when making future investment decisions. According to the NLC's report, "almost all government officials [present] showed their sympathy with the labor's [*sic*] side." None of these government declarations were binding, but Nien Hsing announced that it would reopen stalled negotiations with the union starting January 3.³⁶

In December, Nien Hsing faced attacks from more institutionalized forces in the United States as well. Democratic Congresswoman Cynthia McKinney of Georgia publicly assailed the Pentagon for having purchased garments from Chentex to be sold by "PXs" (shops provided on bases for military personnel), saying that the U.S. government was "supporting and coddling sweatshop labor" (Greenhouse 2000). The USWA union, UNITE, and the Center for Constitutional Rights also pursued Nien Hsing through conventional means that were relatively alien to the social movement organizations in the TAN: litigation. The suit filed in U.S. District Court in Los Angeles accused Nien Hsing, which had a subsidiary in the United States, of maintaining sweatshop wages and

labor conditions at Chentex (McMurray 2000).37

The multiple pressures on Nien Hsing had succeeded in bringing the recalcitrant company to the negotiating table, but Nien Hsing repeatedly delayed any resolution of the dispute. In an effort to dislodge Nien Hsing, the TAN launched fax blitzes on Ron Chu Chen, the company's chief executive officer (CEO) in Taiwan; Taiwanese government officials; and the Minister of Labor in Nicaragua. CLR announced that by April that there had been a total of more than 400 demonstrations and leaflettings at Kohl's stores and that activists had reported a total of about 4,000 letters sent to officials of Kohl's, Nien Hsing, and the Nicaraguan government (presumably including faxes, as well as communications sent to the Taiwanese officials).38

Although our emphasis in this chapter is on the cross-border activity supporting the unions, the fired unionists and other Nicaraguans at the vortex of

this struggle had hardly been idle. The CST unions from Mil Colores and Chentex each held their organizations together for almost a year after the firings, and the Chentex union had been working with CENIDH to implement a domestic strategy against Nien Hsing. One of the last, apparently decisive blows made by the TAN against Nien Hsing was the success of a lawsuit CENIDH brought in Nicaragua on behalf of the fired union leaders. CENIDH had occasionally provided legal assistance to Nicaraguan maquila workers since 1993, when Fortex workers were fired for trying to form a union in the first major labor dispute in Las Mercedes. The Nicaraguan human rights organization—described by one Witness for Peace international team member as WFP’s most similar Nicaraguan counterpart because of its political independence—became involved in the Chentex case shortly after the May 2000 firings, lobbying MITRAB to have the union leaders reinstated. CENIDH also went to the courts to seek enforcement of the CST Chentex union’s right to organize. These efforts culminated in an April 4, 2001, ruling by the Managua Court of Appeals, whose decisions could not be appealed, that Chentex rehire the 9 union leaders fired the previous May; the union had been prepared to sign an agreement that would have entailed rehiring only 2 of the 9, plus 20 of the hundreds of other union supporters fired during 2000. Chentex could, however, find ways to delay implementation of the ruling. Huang threatened that he would defy the court and close the factory, either of which would mean forfeiture of Chentex’s assets to the government if the court’s order was enforced by the government. Campaign for Labor Rights asked supporters to fax Nien Hsing’s CEO again to urge compliance with the court.³⁹

As an alternative to the court ruling, on May 10, 2001, Chentex management signed an agreement with the CST union to rehire 21 fired workers, including four union officers; on May 16, the four officers returned to work.⁴⁰ Considering how many union supporters Chentex had fired over the past year, this was a rather pyrrhic victory for the union. Yet the fact that union activists had returned to Chentex at all was a major feat, considering Nien Hsing’s power as the largest company operating in Nicaragua’s free trade zones, its management’s evident

determination to crush the union, and the Nicaraguan government's reluctance to protect the union.

OUTCOMES

The Mil Colores–Chentex campaign was successful in that workers were rehired and the factories' CST unions survived in the interim. Yet this success fell short. During spring 2001, a CTN-A affiliated union was successfully organized at Mil Colores, undercutting the TAN-supported CST union in the facility. According to Mil Colores staff, the CST union had been decertified by June 2001 and no longer existed. During summer 2001, Mil Colores management negotiated a collective bargaining agreement with the CTN-A union without input from the CST. At the end of 2001, the CST was again making solid

progress organizing the maquilas, though its efforts at Chentex had failed completely.

At Chentex, the agreement that reinstated 21 workers is also an illusory success. Chentex reportedly fired between 300 and 700 workers for suspected union ties during its anti-CST campaign; some were angry with this settlement that left them out of a job and, in some cases, blacklisted. The first author visited some of these workers in Managua's Waspan Norte neighborhood in June 2001. One woman who had been fired for organizing was leaving her family in search of work in Costa Rica because a half dozen Las Mercedes maquilas rejected her applications. Her sister-in-law, fired simply for being related to a union activist, had been unemployed almost a year. Another worker, who was hired at another maquila, said bluntly that Pedro Ortega had sold out. According to Ortega the rehired workers at Chentex, especially the four union leaders, were watched constantly. Workers meeting with these leaders were fired, and the leaders themselves soon resigned because of harassment.⁴¹ Ortega characterized the struggle as entering a new phase, but for now it is clear that the Chentex CST union, once the strongest union in the EPZ, is destroyed.

CONCLUSION

Our case study demonstrates the complexity of global networking for labor rights in the 21st century. The Nicaragua labor rights transnational advocacy network accomplished much during 2000–2001. It mobilized thousands around the world and obtained elites' support, threatening the Nicaraguan government and garment manufacturers with trade sanctions. TAN organizations gained public visibility and fund-raising capacity. They goaded their targets to attend and respond to activist concerns; businesses and government agencies involved are on notice that they are being watched and that their behavior may be publicized to northern consumers with some influence over their government's trade policies. Even though these targets retain a strong upper hand, the campaign created an incentive for them to be careful about labor abuses.

Still, the TAN's ultimate achievement was small considering the number

of maquila workers who lost their jobs and the CST unions' incapacitation at Mil Colores and Chentex. Workers at the struggle's center paid a high price for their efforts. The CTN-A, which filled part of the vacuum left by the CST, officially emphasizes cooperation with management and avoidance of disrupting production. CTN-A unions may benefit workers by promoting work stability and resolving disputes, but they will not challenge management over substantive issues.

Contemporary synthetic social movement theory clarifies the process leading to this complex outcome. With a few notable exceptions (e.g., Sage 1999; Anner 2000), studies of the global labor rights movement have not drawn significantly on such theory to understand struggles of workers and their allies with corporations and states. Synthetic theory, as described earlier, accounts for movement

activity through relationships among mobilizing structures, social structural opportunities, strategic framings, repertoires of contentious action, and other factors.

The organizational adaptation cycle links these factors sequentially. In the present case, when shifting opportunity structures threatened to destroy past accomplishments in the Nicaraguan maquilas, the TAN reassembled. Initially the TAN relied on established tactics: communicating to targets the potential negative consequences of violating or ignoring labor rights. But under the altered structural conditions, the possible cost of such behavior had to be more convincing, and so the TAN adopted more extreme tactics—putting public pressure on retailers who contracted with Mil Colores or Nien Hsing and working through political elites to set state machinery in motion (e.g., court orders, withholding of trade benefits, restrictions on access to capital) that could coerce manufacturing companies into observing labor rights. The TAN adapted existing mobilization mechanisms and framings of grievances—such as Campaign for Labor Rights’s email lists and portrayal of the Nicaraguan struggle as a harbinger of labor conditions throughout the region’s export manufacturing sector—to spur grassroots activism and attract media coverage. Retailers tried to avoid publicity, previously uninvolved government elites threatened access to markets and capital, maquilas grew concerned about implications for sales and responded with concessions and/or offensive actions, movement goals were (partially) attained, and the TAN adapted—sometimes with internal conflict.

Conventional and even critical scholarship on global political economy has generally treated contemporary relationships among labor, states, and capital as if states and especially capital have agency, whereas labor does not. This and other recent studies demonstrate that labor and its allies can exercise power against these other actors, although labor clearly lacks the upper hand. Even with the current political momentum of neoliberalism, labor interests sometimes can leverage the U.S. and other national governments to pressure labor rights violators at their points of vulnerability. Paradoxically, the very free trade policies neoliberalism

promotes—here, the Caribbean Basin Initiative—sometimes provide political opportunities to exert such leverage.

On the other hand, the contrast between the TAN's massive mobilization and its small achievement underscores the impact of “actor characteristics” on advocacy effectiveness (Keck and Sikkink, 1998). The economically powerful companies involved—particularly the huge Nien Hsing Textile Corporation, which resisted stronger onslaughts than the small Mil Colores—strongly influenced the practice of labor rights in Nicaragua despite the TAN's strenuous effort.

What does all this mean for the next century of the capitalist world-economy? If the global labor rights movement can persist and expand, it is plausible that working people in the Global South will gain power—and consequently better working conditions and higher wages—vis-à-vis capital and states as global economic integration continues and corporations run out of new labor pools to

exploit on this planet. However, the 2000–2001 Nicaraguan struggle underscores that movement success is hardly guaranteed.

Even when it is more successful, the current global labor rights movement is not overtly antisystemic. Some movement organizations, such as Witness for Peace and Nicaragua Network, advocate more fundamental changes in the economic system; but the movement mostly seeks better conditions for capitalists' employees. Even so, any process that empowers working people puts them into positions from which they can more easily push for further progressive change. For example, the 1979 Nicaraguan revolution created a strong sense of democratic empowerment among many of the country's poor. This consciousness has outlasted the revolution, energized union activists in the maquilas, and even inspired a worker-owned cooperative currently trying to establish its own EPZ near Managua. In this sense, today's global labor rights movement may contain seeds of more overtly antisystemic action.

NOTES

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1. Campaign for Labor Rights email alert (hereafter indicated as CLRe) dated May 10, 2000.

2. Ibid.

3. See Ricker (2001) for a detailed history from 1996 to 1998. For a brief history and a list of the entities involved in the campaign, see <http://fbox.vt.edu/W/wdunaway/ricker.htm>

4. Letters from Marine to LAERN subscribers and activists, January 6 and 17, 2000.

CLRe dated September 3 and 9, 1999, and April 24, 2000; Nicaragua

- Network Hotline (NNH), July 26, 1999. WFP delegation meeting with Craig Miller, August 15, 2000; CLRe dated February 3, 2000; Elizabeth Miller (WFP) email to USAS listserv, January 28, 2000; NLC Web site (<http://www.nlcnet.org/milcolores.htm>), April 7, 2000; NNH, January 24 and 31, 2000.
5. NLC translation: <http://www.nlcnet.org/nicaragua/englishversion.htm>
 6. CLR activist information packet, late 2000. NLC Web site: <http://www.nlcnet.org/nicaragua/>
 7. CLRe dated February 3, 2000.
 8. Ibid.
 9. CLRe dated November 19 and 25, 2000.
 10. WFP delegation meeting with Craig Miller, August 15, 2000; interview with Alys Willman by second author, August 17, 2000.
 11. Interview with Alys Willman by second author, August 17, 2000; CLRe dated March 30, 2000.
 12. CLRe dated April 24, 2000
 13. Ibid.
 14. CLRe dated April 24 and 28, 2000.

16. CLRe dated May 1, 3, 5, and 10, and June 8, 2000
17. CLRe dated June 8 and August 2, 2000; first author's direct observations.
18. CLRe dated September 9, 2000.
19. First author's direct observations.
20. NLC dated August 31, 2000.
21. Meeting between Hostetler and WFP delegation, August 16, 2000.
22. Interview with Alys Willman (WFP) by second author, August 16, 2000; meeting between Craig Miller and WFP delegation, August 15, 2000.
23. Meeting between Craig Miller and WFP delegation, August 15, 2000.
24. Discussion between Jennifer Ungemach (WFP) and delegation, August 13, 2000; also second author's direct observations.
25. CLRe dated August 2, 2000; National Labor Committee email alert (hereafter cited as NLCe) dated August 31, 2000.
26. CLRe dated September 9, 2000.
27. Ibid., second author's discussions with WFP staff in Nicaragua, August 2000.
28. CLRe dated November 29, 2000.
29. CLRe dated September 9 and 26, November 29, 2000, and other alerts; NLCe dated November 16, 2000.
30. CLRe dated October 3, 2000.
31. CLRe dated September 26 and October 10 and 17, 2000.
32. CLRe dated October 27, 2000.

33. CLRe dated October 17, 2000 and numerous other CLR email alerts until May 11, 2001; NLCe dated October 11, 2000.
34. CLRe dated October 20 and December 8 and 15, 2000.
35. CLRe dated November 14, 2000. NLCe dated November 10–11, 2000.
36. CLRe dated December 20, 2000; NLCe dated January 4, 2001.
37. CLRe dated December 8, 2000.
38. CLRe dated January 19, March 1, and April 12, 2001.
39. CLRe dated April 6, 2001; WFP delegation meeting with CENIDH board member Bayardo Izabá, August 9, 2000.
40. CLRe dated May 11, 2001; NLCe dated May 16, 2001.
41. Author interview of staff of the Nicaragua Network.

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Index

AFL-CIO , 249

Africa , 8, 31, 133–36, 153, 159, 161, 162, 163, 189–99

AIDS , 8, 35, 108, 219

Al-Qaeda , xi

American Indian Movement , 174

Anti-essentialism , 126

Antisystemic resistance , 3, 4, 10–12, 201, 253.

See *also* Civil disobedience ; Movements

Aquinas, Thomas , 122

Arab Free Trade Area , 152

Arab Town Organization , 165

Arrighi, Giovanni , 83

Articulation, mode of , 43–44, 47

Asia , 8, 31–33, 35, 47, 96, 133–34, 144, 159, 161, 165, 174, 190;
Southeast , 34–36, 97, 108–9, 142, 145, 163, 176

Bacon, Roger , 122, 124

Barshefsky, Charlene , 248

Beijing , 146

Biodiversity , 54–64

Braudel, Fernand , 129, 131–32, 135, 137, 158, 201

Brown, Sherrod , 243–44, 248

Bulgaria , 90–92, 94, 96, 134–35

Cairo , 154, 158–67

Cameron, Rondo , 123–24

Campaign for Labor Rights , 236, 238, 240–41, 250, 252

Canada , 54, 57, 60–61, 97, 228, 237, 243; International Development Agency of , 57; World Wildlife Fund of , 58–59

Caribbean , 30, 32, 33, 36, 51, 90, 105, 108, 109, 111, 133, 134, 240, 244, 248, 252

Central America , 236, 238, 244

Central European Free Trade Agreement (CEFTA) , 92, 96

Chaos theory , 4, 126

Chen, Ron Chu , 249

Cherokee , 178–79

Cheyenne , 174

Chiefdoms , 177

China , 35, 47, 89, 141–49, 158–59, 219, 249.

See *also* Fujian ; Guangdong ;

GuangXi ;

Guangzhou ;

Hong Kong ;

Huizhou ;

Jiangxi ;

Pearl River Delta ; Shanghai ;

Shenzhen ;

Tianjin ;

Yellow River

Choctaw , 175, 179

Cities :

Chinese , 141–49;

global , 106, 111, 113, 131, 155, 157, 158, 161, 164, 166, 219, 221;
megacities , 5, 141,

Page 258

162;

Middle Eastern , 151–68; world , 151, 156, 158, 160, 161, 162, 165.

See also Urbanization City :

alpha , 166–67;

beta , 167;

dyads , 154, 161, 165;

diplomacy , 166;

spines , 165;

systems , 153–59, 162–63, 165–68

Civil disobedience , 224, 247

Civil society , 44, 148–49, 176, 221, 223–24, 229, 231

Class , 46–47, 51, 53, 71, 104–5, 109, 112–13, 130, 164, 174, 183, 192, 197, 210–13, 221, 224, 226, 228

Cognition , 121

Colonialism , 33, 70, 103, 104, 107–8, 111, 113, 133, 154, 159, 189–98, 201

Coloniality , 103

Comanche , 179

Commodity , 131, 194, 198, 210; chains , 83–84, 154, 156, 161, 167; concentration , 14–16, 19–21, 22; production , 57, 132, 202, 212

Community, imagined , 180

Complexity , 42, 44, 45, 84; theory , 126

Conurbation , 154, 156, 161, 162, 167

Core , 3, 4, 7, 8, 9, 10, 11, 12, 15, 36, 37, 41, 58, 103, 105, 106, 113, 121, 128, 129, 131, 152, 153, 154, 168, 202, 210, 212, 213, 219

Corruption, political , 69–74, 76–79, 130, 135–36

Costa Rica , 51–64

Culture , 29, 31, 47, 48, 61, 69, 104, 107, 123, 126, 142, 174, 178, 180;
capitalist, 176;

global , 165;

national , 178;

political , 69–72, 76, 79, 152; of poverty , 109;

traditional , 174.

See *also* Cognition ; Globalization ;

Indigenous peoples ;

Intentionality ;

Social constructivism

Culturicide , 181–82

Cyberactivism , 218, 220, 225, 233, 226

Czech Republic , 89, 91–94, 96, 98, 134

Dayawan , 142

Debt , 7, 15, 51–64, 73, 77, 133; for nature investment , 54, 56–57, 60–62, 64

Deforestation , 4, 55

Democratization , 8, 11, 41, 45–48, 64, 69–72, 77, 152, 157, 199, 221–27, 230–34

Deng Xiaoping , 147–48

Deruralization , 5

Descartes, René , 124

Desertification , 4

Development , 16–19, 29, 36, 40–48, 51, 54, 73, 92–93, 99, 105, 145, 163–65, 176, 191–92, 196–97, 224, 233; alternative , 234;

discourse , 168;

stages of , 82, 85, 89, 98; studies , 129, 189;

sustainable , 54–61, 64, 99, 146, 148–49, 229; theory , 14–15;

urban , 148, 151– 57, 161, 167.

See *also* Economic development ; Economic growth ;

Economic integration ;

Modernization ;

Neoliberalism ;

Underdevelopment

Developmentalism , 113, 125.

See *also* Modernization Dominican Republic , 106–10, 122

Dubai , 154, 156, 158, 160, 161, 163–67

Ecological degradation , 12, 14–19, 23, 55–57, 61–62, 146; and systemic crisis , 4–5.

See *also* Costa Rica ; Debt ;

Deforestation ;

Deruralization ;

Desertification ;

Mortality ;

Sanitation

Economic and Social Commission for Western Asia , 165

Economic Commission on Latin America and the Caribbean , 51

Economy , 52, 75, 87, 98, 105, 121, 163, 180, 199; agrarian , 17;

capitalist world , 4, 5, 6, 11, 14, 15, 16, 17, 19, 23, 29, 30, 36, 37, 48, 70, 73, 77, 79, 81, 82–84, 86, 97, 99, 103, 113, 128, 129, 131, 154, 162, 164, 166, 183, 192, 195, 201, 202, 203, 205, 206, 220, 252; cash , 121, 123, 196, 203, 206, 209; colonial , 195;

floors of the , 131–32; indigenous , 201–15;

informal , 106, 110, 111, 113, 128–37; market , 89–92, 106, 129, 131, 203; national , 71, 75–79, 106, 107, 112, 159–60; regional , 142–47, 160; transnational informal , 129, 133, 135.

See *also* Development ; Globalization

Ethnicity , 8, 103, 106, 108, 120, 129,

Page 259

173, 181, 183, 189, 190, 191, 196, 198–99, 210–12, 228.

See *also* Indigenous peoples ; Puerto Ricans ;

Racism

Ethnocentrism , 9–10

Ethnocide , 181–82

Environment .

See Ecological degradation Europe , 94, 106, 121, 122, 125, 133, 159, 162, 165, 175, 176, 178, 179, 190, 192, 201, 220, 228, 230, 234, 243; Eastern , 7, 81–99, 130, 134; Western , 6, 31, 32, 33, 92, 96, 104

European Union , 8, 99

Foshan , 142, 144

Fractal geometry , 126

Frank, Andre G. , 15, 156, 158

Free Trade Area of the Americas , 229

Free trade zone , 163, 219, 236, 240, 242, 243, 248, 250

French Revolution , 125

Fujian , 142

Fundamentalism, Islamic , 10

Galileo , 124

Gender .

See Households ; Sexism ;

Women

Genetic engineering , 9, 58, 63

Genocide , 9, 11, 181–83, 189, 206

Globalization , 42, 82, 84, 141, 149; alternative , 218, 223, 225, 226, 229–30; cultural impacts of , 9–10, 41, 45, 156–57, 165, 173–76, 182, 234; and domination , 70, 212, 218–22, 233; economic impacts of , 129–34, 145–48, 167, 218–22, 233, 237, 244; political impacts, of 191–93, 200; of production , 103, 218–20, 244.

See *also* Culture ; Economy ;

Nation–state ;

World-system

Glocalization , 221

Growth, economic , 8, 15, 16, 18, 29, 34, 51, 53–54, 82–85, 90–92, 144

Guangdong , 141–44

GuangXi , 142

Guangzhou , 146–49

Gumbleton, Bishop Thomas , 243, 246

Hegemony , 6, 10, 58, 123, 124, 126, 181, 218, 221–23

Hong Kong , 34, 35, 141, 142, 144, 146, 147, 164

Hopkins, Terence , xiii Hostetler, Sharon , 245

Household , 7, 8, 9, 35, 53, 147, 202–15

Huang, Lucas , 247, 248, 250

Huizhou , 142

Hunan , 142

Hungary , 84, 89, 91–94, 96, 98, 130, 134

Hunger , 8–9, 73, 74, 75, 204, 206

Identities , 154–55, 180–81, 210; collective , 48, 155, 221–23, 226; ethnic , 173–74, 180; indigenous , 172–78, 189–200; legitimating , 222;

national , 157

Identity politics , 174–79

Incorporation , 176–79, 189, 201–2, 206, 210–11, 215–16

Indian reservations , 203, 206–7; Pine Ridge , 202, 208; Rosebud , 202, 206

Indigenous peoples :

African , 189–200;

Costa Rican , 173, 191–94; definitions of , 173, 191–94; Lakota , 201–16;

resistance of , 173–83, 189–200.

See *also* Culture ; Culturicide ;

Ethnocide ;

Identities ;

Knowledge ;

Land ;

Matrilineality ;

Native Americans ;

Nonstate societies

Information society , 224

Innovation , 6, 40, 47, 90, 98, 125, 145, 148, 159, 163, 218, 229

Integration, economic , 81–82, 85–89, 96–97

Intentionality , 121

Interdisciplinarity , 43, 46

International Monetary Fund , 52, 55, 69, 76, 78, 82, 227–29, 234

Internet , 163, 218;

and globalization , 218–23; hacktivism on , 225, 233.

See *also* Cyberactivism ; Information society ; Virtual public sphere

Interstate system , 7, 121, 123–35, 132, 175.

See *also* Nation–state ; Nonstate societies ;

Sovereignty

Investment , 14, 15, 29, 30, 32, 41, 46, 47, 51–53, 60, 162–63, 166;
development path , 85–87; foreign direct , 16–18, 36, 81–84, 90–92,
144–45, 240,

Page 260

248;

inward direct , 85; outward direct , 86, 89; public sector , 203; sectoral allocation of , 85–94, 98; strategic , 83

Istanbul , 135, 137, 156–60, 164–67

Japan , 6, 31, 33, 34, 35, 36, 47, 48, 89, 146

Jiangxi , 142

Kearney, Neal , 243, 249

Kenya , 190, 192–99

Kernaghan, Charles , 243, 244, 246

Keynesianism , 51, 104–6, 109–10

Knowledge , 40–48;

democratization of , 41, 45–48; indigenous , 60, 62; polarization of , 40–41; structures of , 121–23.

See also Rationality ; Rationalization ;

Social constructivism Kondratieff wave , 145

Labor , 4, 5, 6, 17, 32, 89, 129; axial division of , 121–23; international division of , 36–37, 103; nonwaged , 104, 109–10, 128–30, 207; protests , 76;

racially depreciated , 103–13; tripartite division of , 15; waged , 4–5, 9, 17, 32, 36, 37, 53, 54, 73, 76, 78, 84, 89, 103–4, 109–11, 134, 180, 202–5, 219, 239, 244.

See *also* AFL-CIO ; Deruralization ;

Migration ;

Maquila ;

Nicaragua ;

Sweatshops ;

Union

Labor Education in the Americas Project , 241

Land :

commodification of , 193, 222; indigenous rights to , 60–62, 174–75, 180, 189–90, 193–96; tenure , 36, 53, 58–60, 64, 90, 122, 238.

See also Deforestation ; Desertification

Latin America , 32–34, 36, 51, 53, 64, 69–70, 72, 90, 238

Macao , 141–42, 147

Manzanares, Gladys , 243, 246

Maquila , 236–39, 243–45, 247, 250–53

Matrilineality , 174

McKinney, Cynthia , 249

Mediterranean , 153, 158, 163, 165

Methodology, research : comparative , 126;

and the excluded middle , 125; and *Methodenstreit* , 125; and objectivity , 122, 126; problems of , 21–23, 40, 46; and space-time compression , 181

Middle East , 31, 137, 151–68

Migration , 109;

cyclical , 111–12;

of labor , 5, 105, 110–15, 128–29, 146, 163, 196, 220, 246

Miller, Craig , 238–41

Modernization , 14, 45, 47, 48, 51, 126, 148, 151, 176, 182, 189

Mortality :

and ecological degradation , 17–19; infant , 14–23, 74, 107; and trade dependency , 14–16, 18

Movements :

alternative globalization , 218–33; national liberation , 11; organizational adaptation cycle of , 252; resource mobilization by , 237; structural opportunities of , 237, 252; theories of , 151, 237.

See also American Indian Movement ; Cyberactivism ;

Network ;

World-system ;

Zapatistas

Multinational corporations , 7, 30, 82, 83, 105, 111, 129, 131, 132, 135, 157, 206, 210, 219, 225, 229, 238–41

Nation building , 178–79, 196

Nation–state , 36, 103, 132, 180; colonial , 189–94;

peripheral , 7, 9;

postcolonial , 189–90, 193, 196–98; semiperipheral , 69–79; weakening of , 4, 69–79, 131, 133, 193, 221–23.

See *also* Interstate system ; Nonstate societies ; Sovereignty

Native American .

See Cheyenne ; Chiefdoms ;

Choctaw ;

Culture ;

Indian reservations ; Lakota ;

Navajo ;

Tribes ;

White Earth Anishinaabeg ; Zapatistas

Navajo , 174, 178

Neoliberalism , 69, 105–7, 109–11, 113, 234, 252.

See *also* International Monetary Fund ; Investment ;

Privatization ;

Structural adjustment ; World Bank ;

World Trade Organization Network , 131, 142; transnational , 62, 82, 83, 106, 147; transnational advocacy , 236–53

New York City , 106–7, 109–10, 112, 162, 208

Page 261

Newton, Isaac , 124

Nicaragua , 52, 63, 174, 219, 236–53; Las Mercedes free trade zone , 236–40; Ministry of Labor , 239; National Labor Committee , 239; Network , 240, 253

Nigeria , 190, 192, 193, 227

Nongovernmental organizations , 56, 58, 63, 148, 190, 218, 223, 228, 229–31, 234

Nonstate societies , 173, 176, 177, 179.

See *also* Chiefdoms North American Free Trade Agreement , 176, 244

Ocampo, Rosa Esterlina , 242, 246

Organizational intricacy , 141, 148

Ortega, Pedro , 239, 240, 243, 245–47

Pearl River Delta , 141–49

Periphery , 7, 8, 9, 15, 17, 32, 51, 97, 99, 103, 105, 113, 128, 129, 131, 137, 153, 158, 193, 201, 202, 203, 205, 209, 211, 213, 219

Poland , 84, 89–93, 96, 98, 134

Polarization , 7–10, 40, 104, 105, 107, 111, 113

Population growth , 4–5, 8, 31, 56, 121, 137 n.1, 146, 162, 173

Poverty , 7, 9, 35, 51, 53, 54, 55, 64, 69, 73–79, 105, 111, 153, 199, 212, 214, 219, 226, 244; feminization of , 9

Prigogine, Ilya , 126

Privatization , 53, 58, 63, 64, 82, 87, 89–94, 96, 98, 105

Progress , 14, 32, 46, 122, 125, 152, 157, 166, 189

Puerto Ricans , 103–13

Puerto Rico , 105, 106, 110, 111, 112

Quijano, Aníbal , 103, 114 n.3

Rabat , 154, 161–63, 165, 166, 167

Racial regimes , 104

Racism , 103–13, 109, 125, 212, 214–15.

See also Culturicide ; Ethnocentrism ;

Ethnocide ;

Fundamentalism, Islamic ; Genocide ;

Indigenous peoples

Rationality :

collective , 182;

formal , 122;

instrumental , 47;

substantive , 122

Rationalization , 122

Resistance .

See Cyberactivism ; Indigenous peoples ;

Movements ;

Union ;

World-system

Romania , 85, 97, 135, 135

Russia , 85, 97, 134, 135.

See *also* Soviet Union Rwanda , 9, 190, 196, 199–200

Samet, Andrew , 247

San Juan , 106, 109, 111

Sanitation , 5, 7, 33

Scholasticism , 124

Schumpeter, Joseph , 46, 145

Secularization , 124–25

Semiperiphery , 7, 15, 69–79

Sex industry, international , 9, 29–37, 154

Sexism , 29–37, 125

Shanghai , 146

Shenzhen , 142, 147

Slovak Republic , 85, 91, 92, 93, 96, 134

Social constructivism , 113, 126, 214

Sovereignty :

indigenous , 175–77, 182; national , 52, 79, 99, 125, 147, 153; parcelized , 123;

popular , 125

Soviet Union , 129–30, 133–36, 161, 163

Structural adjustment , 7, 52–53, 55, 105

Sweatshops , 106, 109–10, 113, 247–49.

See also United Students Against Sweatshops

Taiwan , 34–36, 238, 239, 243, 248, 249

Tanzania , 190, 192, 196, 198–99

Terrorism , 3, 6, 7, 8, 9, 11, 12

Third arena , 124

Thomism , 122

Tianjin , 146

Tourism , 32, 83, 96, 142, 162, 163, 194; ecological , 54, 59–60, 64; sex , 29–30, 33, 37

Trade :

dependence , 14–23;

international , 7, 8, 17, 22, 53, 82–83, 85, 87, 89, 105, 133–34, 135, 136, 137; shuttle , 134–36;

suitcase , 134–35.

See *also* Arab Free Trade Area ; Central European Free Trade Agreement ; Economy ;

Page 262

Free Trade Area of the Americas ; Free trade zone ;

Investment ;

Multinational corporations ; North American Free Trade Agreement ; Sex industry

Transition from feudalism to capitalism , 121

Tribes , 177, 191, 212

Turkey , 129, 134–36, 159, 164, 228

Uganda , 190, 193, 196, 199, 227

Underdevelopment , 151–52, 191

UNESCO , 155

Union, labor , 70–72, 110, 223, 226, 229, 230, 236, 238; Central de Trabajadores Nicaragüenses–Autónomo , 239; Central Sandinista Trabajadores , 238; International Textile, Garment, and Leather Workers Federation , 243; UNITE garment workers , 248; United Steelworkers of America , 248.

See also AFL-CIO

United Nations , 29, 52, 175–76, 190, 199

United States , 6, 7, 8, 9, 11, 33, 36, 52, 53, 56, 70, 109, 110, 111, 113, 178, 203, 237, 240, 243

United Students Against Sweatshops , 247

Urbanization , 5, 15, 141–48, 158, 159, 162, 165.

See also Cities ; City ;

Conurbations

Venezuela , 69–79, 134

Virtual public sphere , 225

Wallerstein, Immanuel , 3, 4, 6, 10, 11, 15, 103, 124, 151, 157, 158, 168, 192

Water , 5, 7, 8, 9, 17–23, 29, 57, 58, 142, 147, 162, 198

Weber, Max , 41, 45, 47, 48

Welfare state , 105, 113, 125

White Earth Anishinaabeg , 179

Witness for Peace , 240, 241, 245, 250, 253

Women , 18, 30, 33, 34, 36, 53–54, 56, 59, 60, 64, 109, 112, 129, 133, 134, 135, 136, 147–48, 174, 195–96, 202, 203, 208, 210–11, 219; in development , 56;

domestic violence toward , 9.

See *also* Households ; Sex industry ;

Sexism

World Bank , 52, 55, 58, 64, 76, 165, 190, 191, 192, 227, 228–29, 234

World Social Forum , 226, 227, 229–31, 233, 234

World Trade Organization , 31, 135, 146, 218, 227–31, 234

World-system :

analysis , 120, 177;

ancient , 177–79;

antisystemic resistance in , 3, 4, 10–12, 200, 253; bifurcation of , 6, 11;

crises, of 3–12;

European , 178–80;

geoculture of , 120–26;

ideological contradictions of , 2–3; *Longue duree* of , 151, 158, 201;
modern , 22, 59, 104, 106, 108, 113, 173, 175, 176, 179, 181–83, 191,
196, 219; perspective , 3, 15;

premodern , 180–81;

processes , 19–20, 23, 180; structural contradictions of , 3–4, 5, 7, 45,
121–23, 181; transition of , 11;

tributary , 179–80.

See also Deruralization ; Ecological degradation ; Economy ;

Hegemony ;

Incorporation ;

Interstate system ;

Movements

Wynter, Sylvia , 104

Yellow River , 142

Zapatistas , 174–76, 225

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