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"importer of last resort" arrangement rests—depending upon foreign-held dollars being invested in the U.S. financial bubble and used to pay for imported goods—also appears to be blowing up. The U.S. Department of Commerce reports on a quarterly basis, the level of net foreign funds that flow into the United States, called the "financial account." The Commerce Department data may grossly understate the level of foreign inflows. Still, even the limited Commerce Department data indicate something very dramatic happened during the third quarter of 2001.

According to those data, during the first quarter of 2001, foreign-owned assets in the United States increased by a net of $346.6 billion (the term "net" means that the amount of American stocks, bonds, derivatives, and companies that foreigners bought, relative to the amount that they sold, during the first quarter, increased by $346.6 billion). During the second quarter of 2001, foreign-owned assets in the U.S. increased by $226.6 billion, a fall-off of $100 billion from the first quarter's level. But in the third quarter (the latest for which information is available), foreign-owned assets in the United States increased by only $52.1 billion, not much above zero growth.

A net level of $52.1 billion of foreign purchases in the United States cannot finance the level of imports of physical goods from abroad, that America was taking in, in the past. Further, in the current circumstances, Japan cannot continue sending volumes of funds into the U.S. financial bubble, propping it up. Japan has been disinvesting from investments inside the United States, and various European nations may soon do the same.

SE Asia: Deportation Is The End Of Globalization

by Martin Chew Wooi Keat

In early December 2001, more than 2,000 illegal immigrants at a temporary detention center in Malaysia rioted, and four buildings that were being used to house them were set on fire and completely destroyed. The illegal immigrants were mostly Indonesians, who were about to be sent home before the end of the Muslim holy month of Ramadan in mid-December. Many of those being detained, feared deportation primarily because they face an even bleaker prospect at home. The day after the riot, they were sent home.

Extrapolating from the old Marxist saw, that imperialism is the highest stage of capitalism, we may truthfully say that mass deportation is the highest stage of globalization, the New Economy's model of the international division of labor. During the 1997-98 Anglo-American financial oligarchy-induced economic collapse in the Far East, at least *3 million* foreign workers were deported across the region. Now, with the bursting of the "New Economy" bubble, the pattern has returned.

After the Second World War, the only viable major economy left in the world was the U.S. economy. The Bretton Woods system was created to facilitate long-term economic relations. Basically, all currencies were to be fixed in value with respect to the U.S. dollar, which was convertible to gold. The U.S. dollar was considered "as good as gold," not because the United States had two-thirds of the world's supply of gold, but because of the strength of the American *physical economy* at that time. Following the assassination of President John F. Kennedy in 1963, the development orientation of the Bretton Woods system was increasingly undermined, leading to the disastrous decision by President Richard Nixon in 1971 to take the dollar off the gold-reserve standard, allowing the free float of most of the world's currencies.

The Anglo-American financial oligarchy then engineered an "oil shock." This created a vast outflow of dollars from countries that previously held substantial amounts of the currency, such as France, Germany, and Japan. As the physical economy of the developed countries contracted, demand for the raw materials of the Third World contracted as well. This, coupled with the artificial increase in the price of oil, drove many Third World nations into bankruptcy. Unable to repay their debts, Third World nations were forced to go to the International Monetary Fund.

To enable Third World countries to acquire U.S. dollars—to be used to pay debts, etc.—a so-called "new international division of labor" was formulated, to artificially prop up the global financial bubble (as well as the living standards of the United States, although its physical economy continued to contract).

Exporting Electronics vs. Selling People

The key invention behind the New Economy model of an international division of labor is the specially designated export zones scattered throughout Southeast Asia, with their own special set of preferential labor and taxation laws. Similar to the *maquiladoras*—cheap-labor assembly plants—along the U.S. border in Mexico, these Asian zones have been called Free Industrial Parks, Free Industrial Zones, Free Trade Zones, Export Processing Zones, or Special Economic Zones, depending on the country in which they are located. However, they all have the same nature: They function as marketplaces, the product they market being people—or more specifically, cheap labor, preferably cheap *female* labor.

For example, Malaysia: In 1970, there were only 41 firms in "export zones," employing 3,200 workers, of whom 99% of the production workforce was female. In 1985, the electronics and electrical assembly sector was the largest employer of

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manufacturing workers, with 81,432 workers, and out of these, 74% were female. By 1990, there were 422 firms in export processing zones, employing a total of 216,528 workers, of whom 76% were female. Labor-intensive assembly-line production techniques require high levels of managerial control, in order to achieve high productivity rates. This employment pattern repeats itself throughout the export zones of Southeast Asia.

Strictly speaking, Southeast Asian countries do not export electronics—it is mainly American, European, and Japanese assembly plants *in Southeast Asia* which actually export electronics. Southeast Asia's cut comes from the cheap labor it supplies to these corporations, and from outsourcing contracts awarded by these so-called multinational corporations to local firms.

In order to remain "cost-effective," Southeast Asian countries promoted migrant labor. The countries importing the migrant laborers did so in order to maintain wages at a minimum, to remain attractive to foreign investors, while those countries which were exporting their population, did so in order to alleviate the poverty back home.

As a result of these policies, the number of registered foreign workers in Malaysia is 600-700,000. Including illegal imigrants, that figure is closer to 1 million, out of a population of about 20 million. In Singapore, there are more than 750,000 registered foreign workers among the island's 4 million population. In August 2001, Philippines Labor Secretary Patricia Santo Tomas told a local radio station that more than 2,000 Filipinos leave their country *every day* for overseas jobs, due to the lack of jobs at home.

However, with the bursting of the New Economy bubble, jobs are becoming scarce, at home as well as abroad. In Singapore, for the first nine months of 2001, more than 17,000 workers were laid off. This figure is expected to have hit 25,000 by the end of 2001. The Singapore government expects at least another 15,000 jobs to be lost in 2002. In July 2001, the president of the Malaysian Trade Union Congress, Zainal Rampak, said that in Malaysia, an average of 5-10,000 people lose their jobs *monthly.* The Thai Farmers Research Center forecast in May 2001, that 1.4 million Thais would leave the payrolls by the end of 2001. As a result, it is expected that for every five employed persons in Thailand, there will be four unemployed. Furthermore, in December 2001, the Thai Contractors Association warned that 400,000 Thai construction workers would be out of work in 2002, if the Thai government fails to introduce emergency measures to help the stagnant construction sector. As for the Philippines, it was estimated that there would be 8 million unemployed or underemployed, as of December 2001.

All of these figures are dwarfed by the situation in Indonesia. Out of a total population of 210 million, making it the fourth most populous country in the world, the number of unemployed is estimated at *36 million,* a number nearly twice the entire population of Australia. Indonesian President Megawati Sukarnoputri said in October 2001, that unless the poverty-driven ethnic and religious conflicts in Indonesia are halted, this nation of 17,000 islands faces breaking up into a myriad of tiny, powerless states. "We will become the Balkans of the Eastern Hemisphere," she said, "that will not only never enjoy happiness among ourselves, but also will represent dangers for nations around us. We will become smaller nations with equally smaller states, which will be more susceptible to pressure from outside."

Overall, 2 million jobs are expected to be lost in Asia (excluding India and China) for the year 2001, according to figures compiled by the Singapore *Straits Times* from government officials throughout the Far East.

Collapse Of Remittances

With exports to the U.S. "importer of last resort" collapsing throughout Southeast Asia, the Philippines is facing a corresponding collapse in remittances sent home by its millions of overseas contract workers. Ever since the overthrow of the Marcos government in 1986, Manila has been heavily dependent on remittances for foreign exchange, especially around Christmas and New Year. Foreign banks operating in the Philippines estimate that total remittances in 2001 will be in the range of only $5.5 billion, way below the $6-8 billion or more of previous years.

In Singapore, the opposition Singapore Democratic Alliance political coalition tried to whip up anti-foreigner hysteria, as a political gimmick in the midst of the island's collapsing economy. The SDA chairman was quoted as saying: "I think we should take care of our own family first," while insisting that Singaporeans be given preference over foreigners, and adding that locals would remain "loyal" in uncertain times, whereas foreigners would be the "first to scoot off."

In Malaysia, there are reports on plans to send about 300,000 more foreign workers home, in order to free up jobs for the local population, on top of the more than 100,000 deported as of November 2001. The Malaysian Trade Union Congress, which has more than a half-million members, called on the private sector to freeze the intake of foreign workers. Foreign workers in Malaysia repatriate about $1.3 billion a year.

In Indonesia, there are plans for new laws to prevent poverty-stricken villagers from across the archipelago from moving into the capital, Jakarta. Each year, after the Ramadan holiday season, Jakarta receives up to 250,000 newcomers. According to the city's governor: "We all know that most of them come to Jakarta without anything, and then send their children to become beggars in the street."

However, the current approach of sending cheap laborers home, to free up fast-vanishing, barely decent jobs for locals, is another "solution" that solves nothing.

What was needed, was vast amounts of capital equipment, in order to increase the value of labor, rather than the free-market approach of finding ever-cheaper sources of manual labor, from countries with large populations such as Bangladesh or Indonesia.