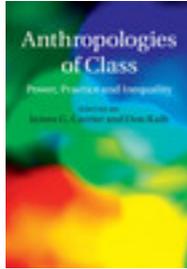


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### Anthropologies of Class

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### Chapter

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## 10 Export processing zones and global class formation

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*Patrick Neveling*

Anthropologists are renown for studying small places. Even though the discipline's focus has extended well beyond the remote and fairly self-contained villages that were its characteristic subject matter through most of the twentieth century, a concern with the local remains an important part of the way that anthropologists approach the world. This orientation brings benefits to anthropologists and to those who study their works, but it also brings costs.

In particular, that concern with the local often diverts attention from the broader frame that encompasses the locality. Even anthropologists who have studied the local in terms of that frame commonly focus on the relationship between the local and the frame, rather than seeing the frame as part of their understanding of those small places (e.g. Comaroff and Comaroff 2001; Ong 2006). Equally, that concern often is accompanied by an inattention to things that are not apparent from the local perspective. So, a focus on the local can accommodate slum dwellers in Mumbai or workers in a Bangalore call center, but not the places where their broader frame is shaped, such as a working group within the World Bank or a conference attracting international investors. As a result, anthropological descriptions and analyses of these small places commonly are partial, or even flawed, as they omit important factors affecting the local.

In this chapter I indicate that partiality by example, showing the sort of things that are lost, the sort of understandings that are foregone, as a result of that anthropological predisposition. The small place in this example is Mauritius, an island with a little over a million inhabitants, located in the Indian Ocean to the east of Madagascar. It had been a British colony from early in the nineteenth century, and became independent in 1968. Appropriately, given my concern in this chapter, I use Mauritius as a point of entry into a very non-local arena, the global capitalist system and its class politics after World War II. I focus on one key feature of that system, the spread of export processing zones (EPZs) as a particular configuration of capital, state and labor, which expanded from one zone in Puerto Rico in 1947 to 3,500 in 2007, employing more than 60 million workers in more than 130 countries (Boyenge 2007).

As we will see, the class relations characteristic of EPZs are particularly clear in Mauritius. There, the passage of EPZ legislation in 1970 initiated manufacturing-based industrialization on a scale that turned the once poverty-stricken country into a showcase for successful EPZ policies and that, in the 1990s, led the world in the proportion of its workforce employed in EPZs. This means that the life and times of Mauritians cannot be fully understood without looking at the way that their class relations were negotiated in places that are both within and beyond the anthropologist's "local." The key to understanding them lies in returning to the comparison and generalization that, as noted in the Introduction, was central to the founding of the discipline.

### Mauritius imagined

Anthropologists commonly have approached Mauritius as if ethnic identity were the pre-eminent element of the Native's Point of View. This is an unfortunate echoing of the ideology common in former plantation colonies, that social differentiation is based on the ethnic origin of various groups of imported laborers (Wolf 1997 [1982]: 379). Rather than recognizing that shared or conflicting socio-economic interests and world-views are much more relevant than supposedly distinct geographic origins, the residents of Mauritius are said to see little more than ethnic identities when they look around. These include a Mauritian Indian-Hindu community (Eisenlohr 2006) and an Indian-Muslim community (Donath 2009), as well as an African-Christian Creole community (Boswell 2006) and a group of Christian descendants of early French colonial settlers (Salverda 2010). The roots of this concern with ethnic groups and relations can be traced to Thomas Hylland Eriksen's now semi-canonical study of Mauritius, "Common denominators: ethnicity, nation-building and compromise" (Eriksen 1998).

For observers concerned with less narrowly defined aspects of the local and its perspective, the island looks different. For some of them it may be a multicultural place, but more importantly it is an example of economic growth triggered by the establishment of an EPZ in 1970. *Mauritius: Managing Success* (World Bank 1990) and *Mauritius: Expanding Horizons* (World Bank 1992) present Mauritian government development strategies as models for impoverished nations worldwide. International Monetary Fund (IMF) working papers call the island's economic boom a "miracle" (e.g. Subramanian and Roy 2001). Unlike the anthropological approach, which highlights cultural identity and difference, this broadly economic one emphasizes the island's position in the global economy and ways of generating income.

This distinction illustrates what Kalb and Tak (2005: 10) identify as a crucial difference between the analysis of "thick history and dense space" and the synchronic analysis of "thin culture." The anthropological writings on

Mauritius mentioned above show the shortcomings of the latter, for they sideline the country's exceptional change, from an impoverished sugar-based economy in the 1960s to an "African Tiger" in the 1990s. Instead, we are presented with Burton Benedict's (e.g. 1965) characterization of Mauritius as a "plural society," which he developed when he studied Mauritian society on behalf of the UK Colonial Office around 1960. Eriksen wrote that characterization in stone when he (1998: 20) said that "Mauritian society, if anything, is a plural one." And for Eriksen, plurality refers to ethnicity, and ethnicity is important. It is "an initially more relevant concept . . . than say, class, . . . [because of] its empirically pervasive nature" (1998: 48). Ignoring class has, of course, meant ignoring the topics and issues that are important to the researchers with that broadly economic view, and to the IMF, the World Bank and other central institutions of the international capitalist system.

In this chapter I want to help fill these conceptual gaps by locating Mauritius within the global frame of EPZs. I do so first by delineating that global frame in terms of the mobility of capital, concepts, commodities and labor. Then I describe the milestones in the making of this global frame. With that background sketched, I turn to Mauritius, and particularly the class relations that developed in the island's EPZ from early in the 1970s to early in the 2000s. I will end by suggesting ways in which my story of Mauritius and EPZs can help illuminate what anthropologists can gain with the concept of class.

### **Class in the global EPZ regime**

I said that the predominant anthropological approach to Mauritius ignores its location in the workings of global capitalism. This is not a necessary feature of anthropology, for in other small places anthropologists have studied the large issue of global flows of capital and manufacturing triggered by the establishment of EPZs. Works such as those by Fernández-Kelly (1983) and Heyman (1991) on the maquiladoras on the Mexico-US border, by Safa (1995) on several Caribbean countries, by Ong (1987) on Malaysia and by Kim (1997) on South Korea have addressed the consequences of EPZs on local, regional, national and transnational relations and dependences. Moreover, research on EPZs has been important in work on a topic of much anthropological interest, neoliberalism, and its associated idea that sovereignty is graduated (Ong 2006) because countries abstain from basic sovereign rights such as taxation and the collection of customs duties in an effort to attract foreign and local direct investment. But still, EPZs have an impact on the global system that is difficult to see if one is focused on sovereignty or on single, or even multi-zone, case studies.

In other words, my observation about the shortcomings of the common anthropological approach to small places applies to EPZs as well as to

societies. Both Mauritius and an EPZ can be seen as small. However, we cannot understand what drives the circulation of capital, concepts, commodities and labor in such small places through the synchronic analysis of their particularities (e.g. Ong 2006) or seeing them as meeting grounds of local pre-capitalist and global capitalist systems of exchange (e.g. Ong 1987). Rather, we should approach EPZs in terms of thick history and dense space, which means the general principles of the elementary structures of capitalism (cf. O'Brien 2001).

One could approach those principles in terms of rough generalizations of class interests. Thus, investors welcome EPZs, as here they find a global market with countries bidding for capital investment; international organizations such as the World Bank support EPZs as they generate development in a particular location; workers, NGOs and anthropologists object to EPZs because of their market- and employer-oriented regimes, which are often sexist and racist (e.g. Ong 1987; Kim 1997). The difficulty with such an approach is that, while it speaks of global, objective models and interests, these are seldom central to the analysis of particular sets of Natives with their particular Points of View (exceptions include Fernández-Kelly 1983; Heyman 1991; Safa 1995). Once our interest turns to the empirical dimension that could shed light on how these and other particular sets of Natives with particular Points of View have contributed to the very existence of the global, objective models and interests, we find that this remains untouched by anthropological research. We therefore need to consider the larger sets of interests and their relationships. Because EPZs are about production and circulation first and foremost, class is the appropriate analytical tool for such a consideration.

To approach class anthropologically means to identify how classes are part of long-term, global processes through which people "make their own history but . . . under relationships and forces that direct their will and their desires" (Wolf 1997 [1982]: 386). Such relationships are embedded in a system that is shaped by the struggles, complicity and collaboration of actors operating on local, national and global scales. EPZs, for example, need legal approval by national parliaments, an important step in realizing a radical vision of the social contract. And that vision is radical, for in it states mediate between capital and labor by making capital exempt from tributary obligations such as taxes and customs, while using similar tribute collected from consumers and workers to subsidize capitalists for exploiting labor. It is radical as well because states often protect EPZ capital from the bargaining power of workers by laws that define wage levels and ban collective bargaining (see also Romero 1995).

Given how radical this vision is, it is important to ask how this global web of "export enclaves" (Dicken 2003: 179) came about and is secured. I turn to that question now, describing how the world's first EPZ was set up in Puerto

Rico and another early one was set up in Ireland, paying particular attention to the relationship between the state, labor and capital, and how this developed in relation to ideological debates over the superstructure of the global system. As will become clear, the formation of a global class of EPZ workers occurred in the context of strong interpersonal links between state agencies, international organizations and capital.

### **From “New Deal” to “Point Four” in Puerto Rico**

One justification for the spread of EPZs is the desire to bring about development by establishing manufacturing industries. Manufacturing can be presented as bringing about economic development in two different ways: as part of a policy of import substitution or as part of a policy of increasing exports. It was the latter policy, export-led development, that underlay the establishment of the world’s first EPZ.

After World War II, development through industrialization became popular in part because it had become increasingly obvious that many regions of the world had been turned into little more than suppliers of raw materials for manufacturing industries located in the wealthy countries of the world. In 1950 the Prebisch–Singer thesis (see Bair 2009) identified this imbalance, and it became central to the economic calculus informing policies in many newly independent countries. It can be regarded as the forebear of a discourse of unequal class relations in the global system that provided a pragmatic alternative to the global socialist and communist movements. The thesis would shape global development policies until the reorientation of development economics in the last quarter of the twentieth century. Its importance is reflected in the fact that one of its authors, Raúl Prebisch, was then director of the UN Economic Commission for Latin America and would become the first Secretary General of the United Nations Commission on Trade and Development in 1965.

The thesis was pragmatic because it suggested an alternative global division of labor based on an analysis of commodity and capital flows in the global system. In that system, raw materials and other primary commodities produced in the poor regions of the world, largely colonies or former colonies, were sold to richer, manufacturing countries, many of them colonial or ex-colonial powers. The heart of the thesis was that the price for those raw materials did not reflect the gains that manufacturing countries would realize when they converted them into finished goods and sold them to the poor countries that had provided those raw materials in the first place.

But the concern for development was also shaped by other motivations. One reason why the USA and other manufacturing nations introduced their own version of the concept was the growing discontent of a growing colonial

population in many parts of the world, suffering high unemployment and facing dim prospects. Particularly after the onset of the Cold War, the fear was that those populations would unite under the banner of socialism, and under President Truman the USA sought to counter this threat with a program called Point Four. Emblematic of this was a widely distributed brochure from The Public Affairs Institute. Locating the roots of the problem in the “Legacies of empire,” this brochure presented a world map with the North Pole at the center. It showed the contours of developed countries with a population above 384 million, intermediate countries with more than 388 million inhabitants and underdeveloped countries inhabited by 1.56 billion – “two thirds of the world.” This obvious, but obviously rephrased, global class divide was called a global challenge that needed to be met with “development” (Isaac 1950). The approach to development that it offered, however, was that of Point Four, not that of the Prebisch–Singer thesis.

Puerto Rico was a site where Point Four principles took concrete form. As elsewhere in the world, the start of the twentieth century saw growing economic discontent among Puerto Ricans: during the global economic crisis of the 1920s and 1930s, anti-colonial and anti-capitalist movements gained wide support. After Franklin Delano Roosevelt became President and established the New Deal, a group of moderate politicians allied itself with the administration in Washington. In 1937, they established their own party, the Partido Popular Democrático (PPD). The PPD won elections in 1940 and intensified New Deal efforts to ease economic hardship, which focused on job creation in government-owned factories. However, after Roosevelt died and Truman assumed office in 1945, US economic policies changed and the Puerto Rican employment schemes were declared too expensive. The new solution to the problem was the privatization of state-owned New Deal factories as advocated by the US consulting company Arthur D. Little (ADL). They had surveyed industrialization prospects in the dependency and concluded that US corporations would make large investments if they were offered the right incentives (Maldonado 1997: 32–45).

As *The Wall Street Journal* put it, a “Puerto Rican lure” (*Wall Street Journal* 1946) was set up, with the island’s government offering what later became the central features of EPZs: low-cost leases or purchases of government-owned factories, and tax and customs exemptions. However, if this plan was to work, Puerto Rico needed a lot of money. And it had money because, under Roosevelt, the USA had returned to Puerto Rico the revenue that the federal government collected in excise when the island’s products, especially alcohol and tobacco, went to the USA. Under the New Deal, that money had been given to Fomento Industrial, Puerto Rico’s development corporation; but now the nature of development was changing.

That change was from the import substitution of the New Deal to the export orientation of Point Four. It produced dissent and debate, and possibly the first irony of global EPZ history. That was the way that a strike in government-owned factories strengthened the position of those seeking change, which included Teodoro Moscoso, the president of Fomento. Moscoso said that the striking workers were abusing their privileged position in state-owned factories and betraying the cause of Puerto Rican prosperity, and he presented the move toward privatization as a way to prevent further disruption.

The debate that accompanied the change in policy foreshadowed the subsequent development of EPZs. It is, then, worth describing some of the arguments used to justify the new policy. The first and simplest of these concerned the tax exemption granted to investors. Critics argued that it was a subsidy, while supporters argued instead that it compensated investors for the additional costs of establishing and operating their factories in Puerto Rico. The result, according to those advocates, would bring tax revenue to the dependency by generating local employment and the associated local expenditure.

The second argument arose because of the Partido Popular's call for independence from the USA. In response, the US Tariff Commission produced calculations by its chief economist, Ben Dorfman, and had them reported in considerable detail in the biggest Puerto Rican daily newspaper (*El Mundo* 1945). They indicated that independence would increase economic hardship, because Puerto Rico would lose its free access to the US markets, which would deprive its government of the existing rebate of US excise tax and depress the island's agricultural sector. The Tariff Commission report reversed the logic of the New Deal policies for the island and, on another level, foreshadowed the neoliberal response to the Prebisch–Singer thesis. New Deal policies sought local manufacturing in Puerto Rico to allow import substitution and to allow local small agriculturalists an outlet for their produce other than the existing processing plants for sugar, coffee and tobacco, overwhelmingly owned by mainland US interests. Instead, in an early version of the nowadays common trickle-down argument, Dorfman argued that mainland capital was fine, and even deserved government support, because its profitable investment would have benefits for the island.

The export-oriented arguments carried the day. The result was Act 184, The Industrial Tax Exemption Act of Puerto Rico, approved in May of 1948. It granted full exemption from income, property, excise and municipal taxes to any new business making goods not produced on the island before 1947, as well as to forty-two special industries (Maldonado 1997: 57). Efforts to bring mainland capital to Puerto Rico were intensified. Fomento Industrial opened promotional offices in major US cities and an “army” of sales staff, trained by ADL, went to mainland corporations advertising the island as an investors’

heaven: the only place in the US where they need pay no taxes (1997: 81–84). These efforts were complemented by newsreels and short films with titles such as “Puerto Rico: symphony of progress,” produced by a US advertising agency, to be shown in Puerto Rican and mainland cinemas and at promotional events (Neveling 2015a).

The success of this effort to attract outside capital to the island, intended to produce growth through exports, made Puerto Rico the model for the EPZs that followed. Those later EPZs also echoed other important features of the Puerto Rican zone and the class relations that accompanied it, and some of them deserve mention. They are heroic nepotism, increasing inequality in the global labor market and a particular rhetoric of bourgeois patriotic generosity.

The backdating of preferences granted in Act 184 helps illuminate these features. One possible reason for that backdating was that the owner of ADL had made investment in the Puerto Rican EPZ a family affair. Arthur D. Little’s adopted nephew, Royal Little, had built a significant empire of textile and garment factories producing mainly military goods during World War II. In 1948 his company, Textron, closed several cotton spinning mills in the US and sacked 10,000 workers. Crucially, in the previous year, 1947, Textron started production in Puerto Rico, when Fomento rented them a government-owned textile mill for next to nothing.

That move to Puerto Rico made Little and Textron heroes in Puerto Rico but unpopular on the mainland. In an inquiry by a US Senate sub-committee in 1948, one Senator confronted Little with a letter from the Textile Workers Union of America, which said “management’s judgement cannot always be in the workers’ interest. But we do not believe management should be free to wreck an entire community to further its own narrow objective. Free enterprise does not mean the freedom to use whole cities as a child uses building blocks – taking one here and discarding another one there” (Subcommittee 1948: 2).

Little’s reply foreshadows the ideological justification and empirical reality of an increasing imbalance that the EPZ regime would create in the global labor market. He said that the plants at issue needed to be closed because they were “high-cost mills,” but he generously addressed the union’s concerns. The Jackson sheeting mill would continue operations and 1,000 jobs would be retained as the result of “a complete change in our policy” (Subcommittee 1948: 103). In that mill, “management and labor [had] agreed to sit down and discuss the possibility of making said operations profitable” (1948: 102). Thus was invented today’s common rhetoric of bourgeois patriotic generosity built on voluntary wage cuts and redundancies to secure competitiveness.

Given these particular features, the Puerto Rican EPZ was an economic arena where the classical anti-market, which is capitalist enterprise (Blim 2000),

unfolded. One group of actors, investors, gained significant bargaining power over another group of actors, workers. This imbalance was facilitated by the government, which decided that the state and labor need to compensate investors for setting up production facilities and for exploiting workers. In addition, the Puerto Rican EPZ created a new kind of mobility for capital. Of course capital is genuinely mobile and flexible, but the tax and customs incentives granted in the Puerto Rican EPZ increased that mobility. Manufacturing profits are reduced and the mobility of capital is limited by investment, taxes and levies. With the help of the federal excise tax rebate, the Puerto Rican government took most taxes and levies out of the equation. Further, when it also absorbed some of the cost of factories and infrastructure, it reduced companies' need to make long-term investments in capital fixed in space (Harvey 2003). In the case of Textron, for example, this would also reduce the cost of shutting Puerto Rican operations in 1957, as little fixed capital would be left behind, and what was left behind had been paid for by local shareholders. In fact, there was \$US 200,000 in local investment (*El Mundo 1948*), and this money ended up being lost (*El Mundo 1957*).

The sort of financial incentives I have described help explain why the Puerto Rican model spread so widely. The question of *how* it spread is important too, as the benefits mentioned so far accrue mostly to investors. These investors needed allies, and Leslie Sklair's model of the transnational capitalist class (TNCC) helps explain how allies are recruited. Sklair (2001: 4) says that the TNCC is made up of "corporate executives, globalizing bureaucrats and politicians, globalizing professionals, and consumerist elites" bound to no nation. The activities of and relations among members of the TNCC involved in the Puerto Rican EPZ help reveal the mobility and the economy of favors prevailing among these people, which are important for understanding the spread of EPZs.

For instance, Moscoso, the long-time president of Fomento, was appointed US ambassador to Venezuela when President Kennedy set up the Alliance for Progress to ease relations with Latin America in the aftermath of the failed US invasion of Cuba. That is, he was one of several Puerto Rican bureaucrats sent to convince Third World leaders of the symphonies of progress they would enjoy if they followed the EPZ model. But progress for himself and for his family might have meant more to Moscoso than the progress of Puerto Rico and Fomento, which was one of his lifetime achievements. Although Textron closed down operations in Puerto Rico in 1957 and thus created problems for the government, Fomento, local shareholders and Moscoso himself, he still asked ADL, the company that had brought Textron to Puerto Rico, for support when he was trying to get his son accepted to the prestigious Fay School, near Boston (Stevens 1959).

### **From duty-free booze to customs-free manufacturing in Shannon**

It was in decidedly anti-Communist Ireland where one of the few EPZs of the 1950s was set up, in the poor region of Shannon. This zone is important not only because it was among the world's first EPZs, but also because it became a node for the subsequent dissemination of the EPZ model. The establishment of the Shannon zone illustrates the continuation of what I described in the preceding section, the anti-market orientation fuelled with heroic nepotism and the rhetoric of bourgeois patriotic gestures, the increased mobility of manufacturing capital at state expense and the economy of favors among an emerging TNCC associated with EPZs.

Although Shannon was a poor region in a poor country, it was extraordinarily well connected globally. When the emerging global air traffic was regulated in 1944, Shannon was granted rights for stopovers, necessary to refuel aircraft, on transatlantic flights, and "between 1947 and 1958 nearly fifty per cent of North Atlantic flights were routed through the airport" (Share 1992: 47). This meant significant income for the local catering business: as early as 1948, more than a million meals were served. Once Shannon became the world's first duty-free airport, income from sales and catering trade jumped to £IR 75,298 in 1955 (1992: 51). However, with improved aircraft design there was less need to refuel there, and Shannon's business was threatened in the late 1950s.

To maintain the Shannon economy, the government extended the duty-free system in order to attract manufacturing enterprises. As Moscoso led the establishment of the EPZ in Puerto Rico, Brendan O'Regan, the airport's Sales and Catering Comptroller, led the process in Shannon. Inspired by what he had seen of the EPZ in Puerto Rico and a harbor free zone in Panama, he sought permission to divert revenues from duty-free sales to develop Shannon Free Zone, and was successful (Share 1992: 58).

His success must be interpreted as part of the legacy of Ireland's struggle for national liberation early in the twentieth century, which set the political tone there for decades to come. One result was that political parties had little interest in discussing the ideological foundations of national economic policies (Ferriter 2005: 211–15). Another was the immense authority of Éamon de Valera, long central in Ireland's government, and his party, Fianna Fáil. This combination meant that matters of national economic development were an autocratic business. Such matters included the establishment of the Shannon zone, which Fianna Fáil had supported from the outset.

O'Regan was the son of the chairman of the local County Clare Council. Working in his father's hotel business, he became acquainted with "senior civil servants from Dublin," who were regular guests at the hotel. This connection led to him running the ailing Stephen's Green Club, in Dublin, "a meeting

place for decision-makers from commerce and government” (Callanan 2000: 44). When de Valera visited Shannon airport in the 1940s, he was unhappy to see the catering service run by British Imperial Airways, instead of being an example of Irish entrepreneurship. Members of the cabinet then arranged for O’Regan to take over at Shannon. He ran it as “a one-man state company” that Callanan (2000: 45) described as a “1940s style public–private partnership.” O’Regan embodied both the public and the private, as he owned the subsidiary company that he, as Shannon’s Comptroller of Sales and Catering, contracted to provide services.

Ireland became dramatically poorer in the 1950s. In response, Ken Whitaker, Secretary of the Department of Finance, produced the study “Economic development.” It argued that “reliance on a shrinking home market offered no prospect . . . and protectionism . . . would have to give way to active competitive participation in a free-trading world” (Whitaker in Keogh and McCarthy 2005: 252). The Shannon Free Airport Development Corporation (SFADCo) that O’Regan founded in 1959 would implement this policy locally and receive continued support from Dublin. Like Fomento, SFADCo built factories, and the Shannon Free Zone (SFZ) offered tax and customs holidays similar to those of the Puerto Rican EPZ. Soon, factories producing light consumer electronics, textiles, garments and cut diamonds were set up (Callanan 2000: 82–85). As with many such factories (Safa 1995), their owners preferred women workers (Callanan 2000: 87). Recruitment programs were set up as early as 1962 and young, unmarried female workers were housed in what they called “convents,” dormitories overseen by nuns protecting the women from the urban nightlife developing in the new town of Shannon. Autocratic policies continued as SFADCo expanded beyond its core business of the SFZ and the airport; it also ran the town, the first planned city in Ireland, and one with no elected government.

As with the Puerto Rican zone, promotional campaigns and glossy brochures introduced Shannon as a tax-free base for US corporations, in this case those seeking business in Europe (Callanan 2000: 82–83). Unlike Puerto Rico, however, Shannon also advertised its labor force. The brochure *Why it May Pay a U.S. Firm to Manufacture in Shannon* (Shannon Free Airport Development Corporation n.d.) illustrates this. It told potential investors that a “high standard of education” would be a capital asset, as “Ireland’s output of university graduates per 1,000 population is about one-fifth higher than in much wealthier Great Britain.”

Although it touted the attraction of the local working class, initial industrial activity in Shannon illustrates the limits of the EPZ strategy. As in Puerto Rico, the predominant activity was light manufacturing in “the sweatshop phase” (Merrill-Ramírez in Dietz 1986: 248), with labor relations to match. An American company, General Electric, was active both in Puerto Rico and in Shannon,

and it had a history of being strongly opposed to unions (see, e.g., Nash 1995: 197–98). In Shannon, however, GE's approach was not very successful. The first major zone labor dispute was in 1966, when a GE subsidiary confronted the Irish Transport and General Workers Union (ITGWU). The subsidiary employed about a thousand workers, a third of the zone total, mainly women and 30 percent members of the union. When the ITGWU went to the subsidiary seeking higher wages, they were told that GE did not negotiate with unions. The situation deteriorated, and by October 1967 there was "intimidation at picket lines, buses transporting workers were burnt and a picket was threatened on the entire industrial estate" (Callanan 2000: 88–89). The Chief Justice of the Supreme Court intervened in favor of the ITGWU, and in response SFADCo established its own ombudsman committee, intended to control future dispute settlement and sideline the courts (personal conversation Shannon August 2010).

Governments seeking to attract investors to EPZs advertise the features that, as I have described, developed in Puerto Rico and Shannon: tax exemptions, customs holidays, good transport and infrastructure, and low rents and wages (cf. Romero 1995). However, locational advantages such as those advertised in the campaigns promoting the Puerto Rican and Irish EPZs can disappear. As the international capitalist system and its subdivision of bilateral and multilateral trade arrangements are often changing, location in fact can turn into a disadvantage. For instance, Ireland joined the European Economic Community in 1973, and EEC rules barred tax and customs holidays. Ireland adjusted by lowering the national corporate tax rate and thereby facilitated the opening of ever more Irish zones as well as preventing the demise of Shannon (Ryan 2007). More generally, as EPZs spread throughout the world, locational advantage was no longer gained from having an EPZ alone. Additional factors became important for making one zone a better spot for investment than the others, and those factors are important in explaining how EPZs went global.

### **Making the EPZ concept global**

The EPZ model went global in the 1960s, with support from governments and international institutions. For instance, another early EPZ was established in Kaoshiung Harbour (KEPZ), Taiwan (then Republic of China), in the middle of the 1960s. It was set up after the US Agency for International Development advised the Taiwanese government to build a container harbor and "Free Export Processing Zone" in Kaoshiung. The Agency and the International Bank for Reconstruction and Development put up money, and following the "cessation of American aid" (Leonard 1965), United Nations Technical Assistance money was granted. When the United Nations International Development Organization (UNIDO) conducted the first thorough, global survey of EPZs in 1970, then

called “industrial free zones,” KEPZ reported five years of successful operations and growth (Wu 1970).

The establishment of KEPZ indicates the growing number of national and international development organizations ready to finance EPZ ventures in the 1960s. This was accompanied by the emergence of an interconnected group of individual EPZ experts. Mexican zones, for example, were established with the aid of Richard Bolin, who had become the head of the ADL office in Puerto Rico in 1957. Like Moscoso, Bolin and ADL were active in establishing further zones throughout the Caribbean and Latin America under the Alliance for Progress. Also, during the 1960s a regionalization of commodity flows between EPZs and export markets emerged. Zones set up in the Caribbean and in Central and Latin America traded primarily with the USA, while zones in East and Southeast Asia catered to a mixed export market, including the USA and Western Europe (see Fröbel *et al.* 1980). In contrast, investment in zones seems to have been fairly global from the early days. Asian zones were producing goods for Japanese, Western European and US companies (see Fröbel *et al.* 1980 for German investors; Ong 1987 for Malaysia; Kim 1997 for South Korea). In Shannon, a Japanese company opened shop in 1959; South Korean companies began operations in Mexico late in the 1960s.

That UNIDO survey from 1970 indicates that those involved in export-led development increasingly saw EPZs as a unified model. Only a few years later, this model would be introduced into the social sciences by a group of German macrosociologists, who counted 79 operational EPZs in 1975 in more than 20 countries with 725,000 workers, and who spoke of the zones as emblems of *The New International Division of Labour* (Fröbel *et al.* 1980). With this spread of the model and increasingly detailed documentation, investors could make increasingly nuanced decisions about manufacturing relocation.

Based on that survey, UNIDO (1971) published a brochure on *Industrial Free Zones as Incentives to Promote Export-Oriented Industries*, and through the 1980s and 1990s it continued to promote EPZs and conduct numerous feasibility studies from Bangladesh to Madagascar and even on the remote Pacific island of Vanuatu (see Fröbel *et al.* 1980: 358; Sklair 1988: 154–55). This is unexpected, because UNIDO was one of the UN agencies that came out of the non-aligned movement, and its policies reflected the Prebisch–Singer thesis. The EPZ model that I have described seems opposed to UNIDO’s principles. But UN agencies are large, flexible institutions, and their policies are by no means uniform.

My own research shows that while UNIDO’s General Assembly voted for the implementation of New International Economic Order policies in the Lima Declaration of 1975, which called for strengthening the rights of national governments over foreign investors, UNIDO’s Export Promotions Division continued its work as before. It hired an employee of SFADCo to write a

manual on how to set up EPZs in 1976, which included a model law granting the usual investment incentives to investors with little provision for state control in EPZ operations (Kelleher 1976). It was only near the end of the 1990s that UNIDO stopped promoting EPZs, realizing that the market for such zones was more than saturated (personal conversations April and October 2010).

Possibly in anticipation of declining UNIDO support, the leading EPZ promoter in the Export Promotion Division started to set up a private umbrella organization for EPZs. That was the World Export Processing Zones Association (WEPZA), founded during a UNIDO-sponsored event in Manila in 1976 and headed by Richard Bolin, the former ADL consultant. WEPZA became a regular partner of UNIDO EPZ projects in the 1980s and the 1990s. It was involved in establishing EPZs in Eastern Europe, for example, where countries followed the example of China, which had set up an EPZ in 1979 and began incorporating socialist workers into the global class relations of the EPZ regime. In 2004, Bolin and WEPZA awarded Moscoso a medal for setting up the world's first EPZ.

With Moscoso's prize, one aspect of the story of the spread of EPZs comes full circle. Now I want to bring my argument in this chapter full circle, by returning to that small place which is Mauritius.

### **So what about Mauritius?**

Mauritian politicians were desperate to diversify the economy at independence because of the island's reliance on sugar, its high unemployment and population growth, and the outright poverty of many households. In fact, the political economy of the country had been a matter of concern for some time, expressed in two British colonial survey missions. One was led by a Keynesian economist and later Nobel prize winner, James Edward Meade, and it suggested ways out of dependence on a mono-crop sugar economy and high unemployment (Meade 1961). The other was led by two well-known social scientists, Richard Titmuss and Brian Abel-Smith (1961), and proposed a system of social welfare and a program for population control. Implementing the recommendations of these surveys was difficult, however, because of a clash of interests between the country's political and economic elites. The ruling Mauritius Labour Party, headed by urban middle-class professionals and rural patrons, needed to accommodate interests in sugar, banking, trading and newspapers. In the wake of independence, the local bourgeoisie made it clear that altering production relations in these sectors would lead to outright civil war. The only solution was to establish new sectors. In 1968, survey missions sent to assess successful countries such as Puerto Rico, Ireland, Taiwan and Singapore found blossoming EPZs. The next year, UNIDO conducted an EPZ feasibility study on behalf of the Mauritian government (Neveling 2012: 259–97).

The 1970 act authorizing the Mauritius EPZ envisaged the standard EPZ model, but allowed for EPZ companies operating anywhere on the island. Concessions for EPZ-enterprise status would be awarded by a semi-privatized state agency, the Development Bank of Mauritius (DBM), which also was in charge of constructing the industrial zones, administering funds and engaging in marketing. On behalf of the DBM, the government of Mauritius took out several loans from the World Bank (WB). The evaluations of loan applications by WB officials provide insights into the workings of the global EPZ regime in the 1970s, especially in terms of the calculus of global competition among EPZs (Neveling 2012: 298–348).

Perhaps most expected is simple commercial advantage. A Bank mission in 1973 concluded that Mauritius was indeed able to compete with EPZs in Hong Kong and Singapore as wages were 30 percent lower and labor productivity levels were comparatively good (World Bank 1973: 3). A different sort of competitive advantage centered on state financing. Recall that in Puerto Rico and Ireland state revenues had been diverted into EPZ agencies. Mauritius, however, followed Taiwan's practice and was prepared to take on significant debt to facilitate the zone. As well, the scope of government support extended beyond investment in things such as infrastructure and industrial estates. Loans were also used to increase foreign exchange reserves and to lend money to investors so that they would have the hard currency to pay for their initial imports of machinery and raw materials (World Bank 1973). The existence of this sort of government support raises a question about the argument that zones attract foreign direct investment and so lead to success in global capitalism (e.g. World Bank 1990, 1992).

Partly because the DBM pumped money into the EPZ, indicators of Mauritian economic development improved in the 1970s, such as the number of manufacturing establishments, workers employed and export earnings. As shortages of female labor emerged, factories set up ever more production units in rural areas. With this, companies secured relatively cheap labor and also put pressure on workers from urban areas, who increasingly were protesting against their working conditions (Neveling 2015b). The socialist *Mouvement Militante Mauricien* (MMM), founded in the late 1960s, was a welcome ally for EPZ workers as it organized workers in the new General Workers Federation (GWF). The MMM and the GWF successfully fought the late colonial heritage of ethnically segregated political parties and mobilized a united front for general strikes in 1975 and 1979, when female EPZ workers confronted riot police and paramilitary units seeking to enforce bans on unionization in the zone. The second general strike, however, came at a time when the state was on the verge of bankruptcy and was negotiating terms for new loans with the WB and the IMF. When the MMM won all seats in parliament in the 1982 elections, the party leadership saw no alternative but to agree to the terms of yet another

package of IMF Stand-By Arrangements and WB Structural Adjustment Programs. That package envisaged no great change, as both international organizations agreed that there was not much to adjust, especially because Mauritian EPZ laws covered the whole country. However, this agreement marked the end of the MMM reform program; the party split and lost power after one year in government (Neveling 2010).

Around the same time, the Mauritian EPZ boomed as ever more investors relocated from other places. In Hong Kong, the Chinese takeover scheduled for 1997 was said to scare investors away, but their alternatives were limited. That was because the growth of EPZs in other Asian countries had been such that those countries were exceeding their quotas for exports to Western markets. Mauritius benefited. Not only did investment in its EPZ increase, but investors were ready to pay higher wages for EPZ labor. This is important, for it shows that in EPZs, as in any other industry, bargaining power can turn in favor of workers in the right circumstances.

One of those right circumstances was that the first Mauritian government had negotiated preferential export quotas in Western markets, while the Multi Fibre Arrangement of 1974 was limiting the exports of countries such as South Korea, Taiwan and Singapore (see Brewer and Young 2000: 42–47). In the face of those limits, Mauritius, with its preferential quotas, was attractive. The result was a sharp increase in manufacturing establishments throughout the 1980s (Hein 1996), and a willingness among investors to go along with the wage increases of the late 1980s. In that boom, ever more households had members working in EPZ factories, as zone employment rose from about 25,000 in 1983 to about 74,000 in 1986, creating new differentiations in Mauritian society and economy. In the face of this, it seems unfortunate that Eriksen decided to focus on ethnicity when he did research there in 1986.

By 1990, labor shortages were such that a new profession emerged for a brief period: headhunters were wooing machinists (personal conversations 2003 and 2004). The government came to the aid of corporations with a scheme to import contract labor from Asia and Africa. At the same time, there were efforts to emulate Shannon, Singapore and a few other zones, and move to a high-technology stage in the zone (Bunwaree 1994: 38). However, “high-technology” ended up meaning call centers, and in 2004 they employed only 2,500 workers. While the high-technology phase never gained momentum, the global quota system established in the 1960s and 1970s was overturned by the foundation of the World Trade Organization in 1995, and Mauritius gradually lost the advantage of its preferential quotas. As a result, countries such as China lured away a substantial part of Mauritian production. The textile and garment sector, which had once employed about a third of the total Mauritian workforce, shrank by more than a third within few years, and in 2004 factories continued to close down operations.

## Conclusion

I have shown how developments that initially were fairly local, such as the introduction of broad investment incentives in Puerto Rico, became global, the worldwide spread of EPZs. As I have noted already, in 2007 there were 3,500 such zones, and in them 70 million workers produced the bulk of the world's textiles, garments and light consumer electronics. EPZs and their particular capital, state and labor relations became a structure of global political economy.

Anthropologists often argue that the world increasingly is fragmented, full of frictions and hybrid social phenomena, so that researchers should focus on how the people and places they study are connected to, and interconnected with, global phenomena (e.g. Marcus 1995). But tracing the routes and roots of one such global phenomenon, EPZs, reveals how developments that, at one point in time, fit that anthropological notion of fragmentation, can turn into global structures. If anthropologists are to analyze those structures, they need to engage with the elementary structures of capitalism from which they derive. Class is one of these, and focusing on it in relation to EPZs provides for a rich analytical harvest. I want to describe some of it.

Investigating how the global EPZ structure is embedded into a small place such as Mauritius helps us to understand the relation of Mauritian and global developments. That understanding in its turn reveals a contradiction between the presentation of Mauritius as an example of successful development on a worldwide scale (World Bank 1990, 1992) and the realities of the island's economic position. The most striking of these is the fact that successful development in Mauritius was possible because certain factors, such as the Multi Fibre Arrangement, made it impossible elsewhere, and changes that would make it possible elsewhere would harm Mauritius. As I said, when the quota system established in the 1960s and 1970s was replaced by the World Trade Organization and its stress on incorporating new areas into the contractual web of global capitalism by invoking yet another version of the myth of free trade, countries such as China took a good share of Mauritian production away. This conclusion is one example of the sorts of benefit that come from moving away from the focus on small places that characterizes much anthropology, and instead adopting a broad analytical frame. Existing anthropological research on Mauritius confines itself, I said, to a particular aspect of ethnic studies. At best, this adds a multiculturalist narrative to the World Bank's celebration of the successful Mauritian EPZ. Alternatively, the broader frame I have used in this chapter allows us to confront the World Bank's position and prove its limits on empirical grounds. It also allows us to look at the island "beyond the ethnic lens" (Glick Schiller *et al.* 2006) and to place Mauritians in their broader political-economic setting.

Aside from a very few, advanced textile and garment factories, Mauritius never made it out of the sweatshop phase of EPZ development. This meant that there was little chance for social mobility among shop-floor and middle-management workers, so that island-wide class divisions remained surprisingly stable. Wages were such that few households could live on the income of a single EPZ worker, and many households had two or more working in the zone. Mauritian developments are mirrored in the global class relations proliferating with the spread of EPZs. The zones' concomitant has been identified as super-exploitation, a situation in which capital does not provide laborers with wages adequate to sustain them and their dependents as well as being able to rear a new generation of workers (Fröbel *et al.* 1980: 350–60). Drawing on the work of Meillassoux (1981), I suggest that this superexploitation is made possible because the domestic economic sphere subsidizes EPZs. These subsidies then pay for those reproductive needs that cannot be fulfilled with EPZ wages. But we need to consider that since the late 1970s, the time of Meillassoux's analysis, the total number of EPZ workers has increased approximately a hundred-fold, from 700,000 to 70,000,000. This has not only drawn ever more households into the sphere of EPZ labor but it has also enabled households to have more and more members working in EPZ factories. In one household with several EPZ workers it is still the domestic economy that subsidizes EPZ superexploitation, but such cases tell us that we must not confine our analysis of the domestic economy to subsistence-related activities that take place outside the sphere of the market.

Aside from the pressure of economic necessity, one reason households may be willing to do this extra work is the hope of upward mobility, which has happened in some EPZs. For instance, zones in Singapore and Ireland have moved beyond the sweatshop phase and their workers can earn substantial wages. However, this occurs because normal EPZ superexploitation generated a growing surplus as more zones were set up. The bulk of this surplus was absorbed by industrial capitalists, but some trickled down to single zones and to the emerging transnational class of intermediaries running EPZ promotion agencies that I described in this chapter. That class includes the employees of companies such as ADL, as well as state and semi-state agency bureaucrats, some of whom attained global influence as they filled the ranks of UNIDO and other international organizations. The emergence of this class shows how capital has created powerful allies when it comes to regulating the global EPZ structure. Without this class of mediators, regulators and facilitators, the particular relationship between transnational capitalists and 70,000,000 workers would not have emerged on the scale that it did.

Finally, my story of these zones casts a critical light on the simple dichotomies that concern many anthropologists, whether they are analytical (e.g. center versus periphery), descriptive (e.g. global versus local) or methodological (e.g.

multi-sited versus single-sited). They are of little help in analyzing a single zone or all of them, let alone the different classes of Natives in those small places that are engaged with the zones. But above all, simple dichotomies veil, rather than disclose, the capitalism and its elementary structures of which EPZs are a distinctive part.