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# *Asia Pacific:* PERSPECTIVES

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## CONTENTS



*Asia Pacific: Perspectives* is a peer-reviewed journal published twice a year in May and November. It welcomes submissions from all fields of the social sciences and the humanities. In keeping with the Jesuit traditions of the University of San Francisco, *Asia Pacific: Perspectives* commits itself to the highest standards of learning and scholarship.

Our task is to inform public opinion through a broad hospitality to divergent views and ideas that promote cross-cultural understanding, tolerance, and the dissemination of knowledge unreservedly. Papers adopting a comparative, interdisciplinary approach to issues of interrelatedness in the Pacific Rim region* will be especially welcome. Graduate students, as well as established scholars, are encouraged to submit their work.

* 'Pacific Rim region' as used here includes North America, Pacific Central and South America, Oceania, Australia, New Zealand, Southeast Asia, East Asia, South Asia (India, Pakistan, Nepal, Bhutan, and Sri Lanka), and the Russian Far East.

# Globalized Chinese Capital in Central America

by Amy L. Freedman, Ph.D.
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***Abstract***

This paper links two areas of scholarly interest: it examines globalization of capital by looking at Asian investment in Central America; and it addresses ethnic elements of migration. Our research illustrates how these two phenomena are intrinsically related. Using the example of Chinese-owned (and managed) textile factories in El Salvador and Honduras, the paper highlights both a dramatic shift in the status of Chinese immigrants in Latin America, and it furthers our understanding of the political economy of capitalist restructuring. Chinese migration and Chinese investment are intrinsically linked to the globalization of capital This has implications for how Chinese immigrants are perceived in their adopted countries and it impacts the economic and social conditions of factory workers. Most factory workers are Salvadoran, not fellow Chinese as was the case 100 years ago. Despite a shift from a time when impoverished Chinese workers were consigned to the lowest rungs of the social ladder to a present in which Chinese are owners of capital, ethnic Chinese are still viewed derogatorily. They are stereotyped as crafty, greedy, and culturally distinct from the native population. Ultimately this paper aims to show how globalization is linked to issues of race, class, and gender.

## *Introduction*

This paper bridges the gap between two vibrant, but generally distinct sets of academic inquiry. On one level it is a paper about globalization of capital and the effects of Asian investment on Central America. It is also a paper about ethnicity and the politics of migration. We illustrate here how these two processes interact and re-enforce each other, and are, as Sassen (1988) points out, part of same phenomenon. The increased movement of people and investment into diverse parts of the world. The subjects of study are Chinese investors and managers of garment factories in Honduras and El Salvador, and their relations with the local people who produce the garments.

Most of the literature on globalization falls into one of two camps: those who extol the virtues of free markets and increased trade as the engine of economic growth, and those that argue it benefits large capitalists at the expense of workers and the under class. Most scholars who study globalization tend to view it as an inevitable process. As Bonacich, Cheng, Chinchilla, Hamilton and Ong note when explaining these divergent views:

> "Technology allows globalization, and competition forges it; there is really no stopping the process, so the best one can do is adapt on the most favorable terms possible. Nations feel they must get into the game quickly so as not to be left behind." (1994:9)

Scholars and activists critical of the effects of markets and expanded free trade, such as Deyo, argue that not everyone benefits from globalization and that it displaces workers who must comply with more exploitative, flexible forms of manufacturing and production. In this paper, we aim to move past debates over the merits of globalization; rather, we will show that globalization, while it affects the economic realities of corporations, managers and workers, it is not the inevitable process described above. In fact, globalization serves to both reproduce and strengthen existing patterns and perceptions of migration and ethnic politics, while it in turn is shaped and maintained through those patterns and perceptions. While there are obvious winners and losers from increased free trade and the movement of goods and people, it is necessary to examine its everyday manifestations through local relations of class, ethnicity and gender; we aim to explore the ways in which globalization discourse is negotiated and often contested symbolically through the mobilization and reconfiguration of race, gender and class stereotypes.

The following research uses the example of export-oriented garment factories—*maquiladoras*—in El Salvador and Honduras to highlight a dramatic shift in Chinese immigrants' status in Latin America and to further our understanding of the political economy of capitalist restructuring. Chinese migration and Chinese investment are intrinsically linked to the globalization of capital in Central America, as evidenced in *zonas francas* or export processing zones. This has implications for how Chinese immigrants are perceived in their adopted countries and for the economic and social conditions of factory workers. In El Salvador, for example, factory workers in Chinese- or Taiwanese-owned and operated factories are Salvadoran, not fellow Chinese as was the case 100 years ago.[1] Although there has been a shift in class levels from the time when impoverished Chinese immigrant workers were consigned to the lowest rungs of the social ladder to a present in which Chinese are owners and managers of capital investment, ethnic Chinese are still viewed derogatorily. They continue to be stereotyped as crafty, greedy, and culturally distinct from the native population; added to these traditional stereotypes is the current notion that Chinese, Taiwanese and Korean factory owners are more abusive than Central American or United States-based factories owners, capitalists and managers.

Once Chinese migrants to Central and Latin America were looked down upon because they worked as virtual slaves and remained communally separate from indigenous peoples. Now, although Chinese immigrants occupy a different socioeconomic niche, those earlier stereotypes persist, along with others mentioned above; why? In part this is due to the nature of the relationship between (male) Chinese owners and managers and their (female) Salvadoran workers, and in part because Chinese factory owners and managers are the local faces of globalized capital. Because they stand as markers of this highly contested realm where relations of power, race, money and class are at once local and cross-border, Chinese investors in Central America are treated as proxies for the seemingly anonymous forces of globalized capital. In fact, they *are* the local raced, classed and gendered faces of globalization.

At the outset it should be noted that not all recent Chinese immigrants to Central America are middle or upper class. Like Asian and Chinese immigrants to the US, Chinese overseas communities in Latin America exhibit class polarization. At one end are well-off, often transient, investors and professionals. This new group of immigrants is not numerically large but they are visible in the export processing zones (EPZs) where they build factories, and in urban/suburban areas where they settle. While the ethnic Chinese managers and factory owners are rich in comparison to their workers, they are not always as well off as their United States and Central American managerial counterparts. Because at there is a profit squeeze at all levels of the garment industry commodity chain, which is buyer-driven (Gereffi 1994: 111), it is not always clear who ends up profiting the most within the various levels of garment subcontracting. Multinational brand-name corporations press their (Asian and non-Asian) subcontractors, who oversee the production of the garments, to cut costs and to come in with the lowest bids possible. Consequently, while managers and owners are vastly better off than workers are, they are not necessarily the main beneficiaries of the profits made from the subcontracting squeeze in the garment industry commodity chain.

The other side of the class divide among ethnic Chinese are immigrants working in low-skill, low-wage jobs. There are Chinese migrants who are smuggled into various countries throughout Latin America and who are awaiting the next portion of an illegal journey into the United States or Canada. While there has been much written about the "push and pull" factors in the movement of poor and unskilled labor from Asia to the West,[2] there has been far less work done on new forms of immigration involving the movement of investors and their capital from Asia to poorer countries such as El Salvador. Portes and Bach, and Sassen (1988) focus on immigration within the context of the restructuring of Asia or global capitalism, but they focus on the movement of labor to the US and do not include the movement of industries and capitalists to other parts of the world in search of cheap labor and more export quota capacity for the United States and European markets.

The reason that ethnic Chinese factory managers and owners are seen in such a negative light, especially in relation to their North American and Salvadoran counterparts, has more to do with the ways in which globalization is not necessarily a "new" phenomenon. The current period of globalization is both a product of and a reconfiguration of older histories and stereotypes that are raced, classed and gendered in localized ways. One way for Central Americans to understand the current influx of Chinese capitalists and the labor abuse in export-processing zones is through the maintenance and reproduction of racist stereotypes. These stereotypes and relations at the level of the factory floor, in individual neighborhoods, and within specific national contexts, are maintained not only through the organization of (global) capital at the local level, but the very organization of production relations, labor control, and financial practices relies upon the reproduction of these earlier stereotypes. Globalization is never free of the local—it is, itself, both constituted by history and everyday relations as it constitutes these local fields.

## *Brief History of Chinese Immigration to Latin America*

As the slave trade ended, European landowners in Latin America needed to find new sources of inexpensive labor for resource extraction and agricultural work. Chinese migration to Latin America in the late 1800s occurred to fulfill needs for male agricultural labors. This was the so-called coolie trade, or *la trata amarilla*, yellow trade. Later, from the end of the 19th century through the 1930s, there was voluntary immigration of Chinese to urban, port, and mining areas in Latin America. Throughout Central and South America Chinese immigrants in the 19th century worked on sugar plantations, built railroads, and worked at resource extraction. Some resource cultivation was particularly hazardous, for example, it was highly toxic for Chinese laborers to work in the guano mines outside of Lima, Peru, and many died within a few years of their arrival due to working in these mines. Those who came as indentured servants to Peru were legally bound to eight years of labor. Although they immigrated under a contract system, the indentured servants—called coolies[3]—were treated largely as slaves during the tenure of their contract. If they survived their period of servitude they were then able to regain their freedom (Hu-DeHart 1999).

In Mexico, Chinese immigrants became small shop owners. Following American investment in Mexican mining and railroads, Chinese would operate small commissaries catering to the needs of the workers. In this position the Chinese were neither owners nor workers, they were middlemen much like their fellow Chinese in Southeast Asia, to be discussed latter in the article. There were also a small number of Chinese capitalists who came to Mexico and established larger trading houses and factories in Mexican towns such as Guaymas, Magdalena, and Hermosillo. These Chinese-owned factories produced shoes and clothing for shop owners to sell. Most of the laborers in the factories were other Chinese immigrants.

In the post World War II period immigration from China to Latin and South America continued to grow but with different push and pull factors. According to 1950 Latin American census figures, there were total of 58,104 Chinese in Spanish America. A Taiwan-sponsored publication on the Chinese communities of all Latin America and the Caribbean, written by Ho Ming Chung and published in 1967 estimated 150,000 Chinese in this large region (Hu-DeHart 1999:258.)

Some wealthy Chinese came to Latin America fleeing the communists, while those less well-off may have come for family re-unification or economic opportunities. One of the interesting things about 20th century migrants is that many of them were re-migrants, coming from not just from China but also from other countries with Chinese communities. "Chinese from Peru, for example, re-migrated to Ecuador, Chile and Bolivia; from Panama, Mexico and Cuba, some Chinese went to Central America and Colombia" (Hu-DeHart: 259).

The Chinese diaspora in Latin America is very different today than it was one hundred and fifty years ago. Many of those who immigrated over one hundred years ago have become fairly well acculturated with the larger (multiethnic) societies in Latin America. Some have re-immigrated elsewhere in the region or to the US, as discussed above. These earlier Chinese diasporas have been augmented by the newer migrations of capitalists and managers. Chinese from Taiwan, Hong Kong, Singapore, and even from the People's Republic of China have moved to Central America and the Caribbean as investors and managers of factories. Today, Chinese investment is altering domestic and regional political economies and is part of the larger phenomena of globalized capital and production relations.

## *Factors Impacting Current Immigration*

### Government Involvement in the Diaspora

At one time, the government of Taiwan helped coordinate and organize Chinese overseas. In Latin America from the 1950s through the 1980s Taiwan created the "Free Overseas Chinese" federations which were overseen by the Taipei-based Commission for Overseas Chinese Affairs. Throughout the Chinese diaspora, in Southeast Asia as well as in North America and Latin America, the KMT (the Kuomindang or Nationalist Party in power on Taiwan) sponsored a variety of cultural, educational and political activities. In part this was to help the Chinese communities maintain ties to the Republic of China (Taiwan), and in part this involvement served a political function. KMT involvement in the diaspora was a way of maintaining a political presence within communities overseas so that there was little chance that expatriates would develop any sympathies to the Communist Party on the Mainland. It was also a way of putting diplomatic pressure on other governments not to get too close to the People's Republic of China. Overall, it was a way of perpetuating overseas opposition to the communist regime across the Formosa Strait (Kwong).

In the 1980s Taipei organized a series of conventions for overseas Chinese leaders in different Latin American countries. These were opportunities for networking and for maintaining a sense of cultural connection to the larger Chinese diaspora; they were also opportunities to build links with Latin American countries for investment and for political recognition in the international arena, where Taiwan had become more and more isolated. By the 1990s, Beijing had become more aggressive diplomatically and KMT-linked organizations overseas became increasingly weak. While Taiwan and the KMT withdrew from political organizing among Chinese overseas communities, Taiwan became increasingly active in promoting trade and investment abroad.

In February 1994, the Secretary General of Taiwan's China External Trade Development Council announced plans to invest heavily in manufacturing plants in Mexico and Latin America in order to take advantage of the North American Free Trade Agreement to export to the US (Hu-DeHart 1999:258.). Chinese investors in Latin America have also been given economic incentives to re-locate by local governments, the Taiwan regime, and by US trade law. For example, in 1974 the US passed the Multifiber Agreement (and has updated it periodically since then). Under this act countries are given quotas under which they can export garments to the US at preferential tariff rates. Taiwan has fulfilled its quota allotment and the government has aided Taiwanese businesses in seeking out new production sites in countries that have not yet met their quotas.

New immigrant groups of overseas Chinese from Taiwan and Hong Kong may live only briefly in countries where manufacturing plants are established, or they may settle more permanently. This new segment of the Chinese diaspora is perhaps less connected to the older Chinese diasporas in the countries where they invest, and instead can be better understood as part of a larger trend towards globalized capital and production. They are taking advantage of international trade regimes like NAFTA and the Caribbean Basin Initiative to expand their production quotas, increase their export earnings and promote investment in Taiwanese companies while at the same time investing abroad.

### Corporate Interests

American, Canadian and European corporations contract out to various factories throughout the world to supply them with clothing. Even some high-end retailers have been looking for low-cost, low-wage production sites keep their costs lower than those of their competitors. With the proliferation of large chain stores like Wal-Mart, retailers are forced to search for the cheapest way possible to stock their shelves. Since there is enormous pressure to maximize profits, retailers require their suppliers and subcontractors to keep labor costs as low as possible while achieving high levels of productivity for the world-wide clothing markets and quick turnover time to keep up with the latest fashions.

### Consumers

Until recently, few consumers were particularly aware of where their clothing was made or under what conditions. With an increasing number of options of where and how to shop for clothing, price can become a deciding factor for many consumers. Retail companies are aware of this and have often opted to keep the cost of apparel down and to increase their own profit margin at the expense of workers at all levels of the industry. They have chosen to do this rather than try to explain to consumers that better paid workers and better working conditions may result in higher priced clothing. The 1995 campaign against The Gap, discussed later in the paper, may have served as a wake-up call to consumers that cheap goods do not come without some cost.

## *Globalization of Capital*

As Ong, Bonacich and Cheng (1994) note in their introductory chapter, capitalism has been going through tremendous changes and restructuring over the past few decades. While prior to the 1950s capital from 'developed' countries was already invested in the 'third world' for resource extraction, by the late 20th century the nature of the investment had shifted. Much of the world's manufacturing has moved to countries with lower wages and fewer environmental, health and safety, and other regulations. Goods manufactured in these countries are mainly produced for export back to the United States, Europe and parts of Asia. This process of capitalist restructuring has produced a "new international division of labor" (Frobel, Heinrichs, and Kreye 1980), where developing countries serve as sites of production, and developed countries increasingly become service-based economies (Ong, Bonacich and Cheng 1994:9). In this new international division of labor, workers—mostly women—in the third world are engaged in manufacturing production, while the majority of white-collar clerical and management jobs are filled by mostly white workers in the first world.

Beginning in the 1950s, corporations based in the United States and Europe, with tax and quota breaks provided by their governments, flocked to Asian countries such as Taiwan, Hong Kong, China and Singapore and built factories to manufacture textiles, toys, and other labor-intensive products turning these countries into sites of manufacturing production within this division. By the 1980s, Asian economies (with the exception of China) had joined the ranks of 'developed' nations and had begun themselves to invest in lower-wage countries, moving production to places where the population had fewer skills, options, and recourse against harsh working conditions. Wages in Taiwan by 1990 had climbed to US$2.53 an hour whereas wages in El Salvador and Honduras stood at US$.49 and US $.60 respectively (Bonacich & Waller 1994:32, Gereffi & Pan 1994:142).

Asian factory owners are still connected to corporations and consumers in larger, wealthier markets like the United States, Canada, and the European Union. "Asia now has its own internal patterns of international investments and runaway shops" (Ong, Bonachich and Cheng 1994:13). In part, Ong, Bonachich and Cheng argue, the globalization and restructuring of development is being imposed on the United States *by* challenges from Asia. In other words, because Taiwan, Hong Kong, and other 'little dragons' have been so successful, capital must continually look to find new sites of investment, and manufacturers must look for new sources of cheap labor.

Quota restrictions on textile imports to the United States are a significant incentive for investment in Central and Latin America and serve to further link Chinese investors to US industry and markets. Under the Multifiber Agreement (MFA), in effect since 1974 and modified periodically since then, countries are given quotas under which they can export garments to the US. Once they meet their quotas they can continue to export goods but pay prohibitively high duties to do so, or, they can open factories in other countries to take advantage of that nation's export quota. A 1986 Congressional Budget Office report described MFA as having created a "generation of apparel Marco Polos" roaming the world in search of production sites with unused quota. (Bonacich and Waller 1994:33)

Quota limits are being used up in China, Taiwan, and Hong Kong and so manufacturers and the companies that contract to them for apparel production are constantly looking for new sites in which to produce. Labor is cheaper in China than in Central America, but the combination of increased unused export quota capacity, low wages, labor repression, tax incentives given by the governments of El Salvador, Honduras and others as part of the Caribbean Basin Initiative (CBI), and the ease of shipping goods only a short distance to the United States, makes these countries attractive to textile producers. As an international labor organization explains in its report on investment in free trade zones in Central America:

> "Las empresas coreanas y taiwanesas, concentradas en el sector textil, han implando sus actividades en el pais con el unico proposito de aprovechar la cuota salvadorena de exportacion hacia los Estados Unidos." [Korean and Taiwanese firms concentrate their investment on the textile sector in El Salvador in order to take advantage of Salvadoran export quotas to the United States.] (Organizacion Internacional Del Trabajo, *La Situacion Sociolaboral en Las Zonas Francas y Empresas Maquiladoras del Istmo Centroamericano y Republica Dominicana* 1996:120.)

Asian investment in Central America has created jobs for workers in countries like El Salvador and Honduras, but Asian investors have also run into trouble. Negative cultural stereotypes of Chinese persist, reinforced by the fact that Taiwanese and Hong Kong-owned factories have been accused of widespread labor abuse. The next two sections of the paper detail events within one Taiwanese-owned factory in El Salvador, in order to explore the clashes between Chinese owners and managers and the Salvadoran workers in their employ.

**Table 1**

**Asian Investment in Honduras**

| Country of Origin | Number of Factories | Number of Employees |
|---|---|---|
| Korea | 33 | 13,660 |
| Taiwan | 6 | 1,000 |
| Singapore | 4 | 1,500 |
| Hong Kong | 3 | 2,044 |
| China | 2 | 440 |
| Total | 48 | |
| Total Foreign-Invested | 175 | 48,477 |

(Organizacion Internacional Del Trabajo, 1996. *La Situacion Sociolaboral en las Zonas Francas y Empresas Maquiladoras del Istmo Centroamericano y Republica Dominicana,* p. 228)

**Table 2**

**Asian Investment in Textiles in El Salvador**

| Country of Origin | Number of Factories |
|---|---|
| Korea | 9 |
| Hong Kong | 1 |
| Taiwan | 6 |
| Total | 16 |
| Total Foreign-owned | 67 |

(Centro de Solidaridad AFL-CIO, 1998. *Dinamica de la Actividad Maquiladora y Derechos Laborales en El Salvador* (Proyecto de Investigacion Permanente en la Maquila Centro de Estudios del Trabajo, Centra: 15)

Asian-owned factories have had a greater number of complaints filed against them than have other factory owners citing poor working conditions and labor violations. There is evidence of higher levels of worker-directed physical abuse and sexual harassment in Asian-owned factories than in others, as shown below by the records of written complaints:

**Table 3**

**Written Complaints Filed Against Foreign-Owned Factories in Honduras (1992-1994)**

| Factory Owner's Nationality | Mistreatment | Legal Violations | Criticism | Total from Rights Organizations |
|---|---|---|---|---|
| Asian | 24 | 12 | 10 | 46 |
| Other | 4 | 3 | 1 | 8 |
| Total | 28 | 15 | 11 | 54 |

(Organizacion Internacional Del Trabajo, 1996. *La Situacion Sociolaboral en las Zonas Francas y Empresas Maquiladoras del Istmo Centroamericano y Republica Dominicana* p. 257)

Research for this paper was conducted at Mandarin International, a Taiwanese garment factory in San Salvador's San Marcos Export Processing Zone (EPZ). The factory first opened in 1992 and since than numerous complaints have been filed by workers at Mandarin regarding violations of labor standards. Workers complained, "among other things, of being forced to work overtime without pay, of not being allowed to go to the bathroom when needed, and of not having access to drinking water at the factory site. Complaints of verbal and physical abuse of workers at Mandarin were also common" (Brooks 2000). In 1995, 350 Mandarin workers were fired for their attempt to join an independent labor union, SETMI. Those who joined the union were not only fired, but also blacklisted, preventing former Mandarin workers from finding work in other factories both inside and outside the EPZ.

Mandarin's Taiwanese management refused to recognize SETMI and attempted to weaken the union's power by offering leaders money to disband. One SETMI leader stated "The manager called us in one by one and offered us money to end our organizing, saying that other leaders had left in exchange for payment. I refused and said to the manger 'How cheaply they sold themselves.'" (Brooks 2000) SETMI was banned from entering Mandarin, and then from the San Marcos EPZ entirely after the union refused to retreat from its request for recognition. When guards at the processing zone refused to re-admit the fired workers from Mandarin, workers in other factories staged a protest demanding that Mandarin management negotiate with SETMI leaders and that the fired workers be rehired. The head of security at Mandarin hit one SETMI member and made her nose bleed; other security officers began to beat union members and a melee broke out.

When several hundred Mandarin workers were locked out of the factory for trying to organize, 5,000 workers from other EPZ factories went on strike to support the Mandarin workers. An agreement was signed between workers and management in February of 1995 stating that physical abuse in the factory would end. In the summer of 1995, two workers from garment factories in Central America toured the United States to call attention to the plight of young women making brand-name clothing for American consumers. One of the women, Judith Viera, is a former Mandarin worker; the other, Claudia Molina, worked in a plant owned by Orion in Honduras. Both women had gone to work in the factories as teenagers and had been abused at the hands of their employers. In addition to the conditions described earlier, the women told tales of being forced to take birth control so as to prevent pregnancy and maintain their levels of productivity, and so that the factory would not be responsible for paying out health or leave benefits for pregnancy and childbirth.

The women's travels in the United States generated significant outcry from labor activists, the news media and some consumers. Bob Herbert, op-ed columnist for the *New York Times* covered the tour, and traveled to El Salvador himself to speak with garment workers and factory owners. Demonstrations were organized in the US to target companies that sub-contracted to Mandarin International for their apparel; the primary target was The Gap, Inc. The Gap was accused of being complicit with subcontractors like Mandarin in El Salvador in keeping workers unorganized and victims of their employers.

In an attempt to preserve its reputation, Gap responded to the letter and the protests in a written response addressed to the groups that had written from El Salvador, announcing the cancellation of orders from Mandarin. Gap also reworked its vendor Code of Conduct for labor practices, called its "Sourcing Principles and Guidelines." Despite the institution of Gap's "Sourcing Principles", which state that 'Gap, Inc. believes workers should be free to join organizations of their own choosing. Business partners may neither threaten nor penalize employees for their efforts to organize or bargain collectively,' one leader of SETMI pointed out that it was then that union support and membership dropped considerably. (Brooks 2000)

With the Gap's new corporate statement, why would union membership drop? At the same time that Mandarin was in conflict with members of SETMI, and while Claudia Molina and Judith Viera were speaking out against Latin American sweat shops, the owners of Mandarin initiated a pro-management organization ATEMISA, which they registered with the Ministry of Labor as an "Association" rather than a union. Management made sure that "those who joined ATEMISA kept their jobs, and got paid, despite the fact that there was no work to be done after Gap stopped its orders at Mandarin."

By the autumn of 1995 the Mandarin situation had reached a critical juncture. Gap earnings during the holiday season were threatened, and Mandarin had suspended operations. As part of a negotiated settlement reached in December of 1995, Mandarin agreed to meet with the union representatives who had been fired to address some of their grievances. The Gap Inc. promised to resume contracts with Mandarin when it could be assured that its orders would result in humane and productive employment in El Salvador. Although both The Gap and Mandarin proclaimed the agreement a 'success', the situation at Mandarin continued to deteriorate. Independent human rights organizations confirmed that labor standards were still not being respected within the factory, and that working conditions had not changed with the signing of the resolution. At the factory, no one from SETMI who had been fired in 1995 was rehired, and factory management continued to support ATEMISA and its members. For the next year and a half, negotiations were held among management representatives from Gap and Mandarin, and with representatives from human rights organizations and the Archdiocese of El Salvador in order to urge Mandarin to rehire workers fired in 1995. Finally, in January of 1997 radio, TV, and newspaper announcements were made inviting those fired in 1995 to apply for reinstatement at Mandarin. The factory also made attempts to contact workers directly by telephone and telegram. Within a year, about 75 workers were rehired and working conditions had improved in some areas.

### *The Perception of Ethnic Chinese in El Salvador and Honduras and the Social Consequencesof Globalization*

Chinese have been a part of the population in El Salvador and Honduras for one hundred and fifty years. Chinese investors in El Salvador and Honduras are especially despised, mostly due to labor abuses and working conditions similar to those described in the case of Mandarin International. Although many of the garment factories in the EPZ are owned by Salvadoran and American investors, firms owned by ethnic Chinese (Hong Kong or Taiwanese, and Koreans –all colloquially called "Chinos") seem particularly to be singled out for condemnation.

The government of El Salvador claims to be very concerned about abuses in the factories, as do the private owners and directors of the county's EPZs. In interviews at one export-processing zone, the manager seemed eager to prove that the zone's directors were actually doing something about workers' accusations of abuse by their employers. To illustrate his point, the manager of the EPZ claimed to have closed down a Hong Kong textile plant for labor abuses.[4] It is distinctly possible that the official fabricated the story of a factory being closed because of labor abuse. It is also not a coincidence, however, that the EPZ manager described the plant in question as Chinese-owned. The factory was portrayed as being so poorly managed, and so abusive to its workers that it was forced out of business. This helps to take some of the pressure, at least rhetorically, off the government for the enforcement of local labor laws, while making the EPZ look as if it supports labor rights in its alleged expulsion of a Hong Kong-based firm. This way, the cause of labor abuse and poor working conditions is not the brutal system of subcontracting and the lack of labor law enforcement, but the individual factory that was expelled at an earlier point. The EPZ, and the industry as a whole, is again free to exploit and abuse workers, to violently ban union organizing and to make profits, because the bad example of Hong Kong managers has been eliminated.

The displacement of blame for labor abuse—from the hyper-exploitation of the industry and the repression of local and international governments to individual factory owners—is played out not only among government and factory-level bureaucrats, but in the media, among activists and in popular culture. A particularly racist cartoon was published by *Diario Latino*, a leftist newspaper in El Salvador (5 January 1995).


Translation:
Title: **Abuse by Foreigners**

"In the bad old days Salvadorans suffered. Our mistreatment is an infamy endured since the Spanish conquest, always we have suffered at the hands of Mexicans, and now Koreans[5] have become our masters."

**Panel 1** (upper left)**:** "The conquistadors say they will conquer the Pipil Indians and leave them with nothing….it's our opportunity to make ourselves rich in the name of the crown."

**Panel 2** (upper right): The Mexican officer says: "You stupid ox what are you doing here? Why didn't you stay in El Salvador?" The Salvadoran immigrant responds: "The recent declaration of your President 'Do-Nothing' Zedillo is, as you say, as useful as a donkey fart."

**Panel 3** (bottom): "NOW…. Koreans in the San Bartolo Export Processing Zone"

The person on the ground is labeled as a beating victim. The two other figures standing, one with a whip and the woman's hair in his hand, the other counting money, are

Korean managers at the EPZ. The captions in this part of the cartoon are a pidgin Spanish, L sounds are substituted for R sounds and the grammar is sloppy and abbreviated.

The first man says: "*Salvadoleans* use to be good workers, and we pay salary of slaves. Women not go out, it is inconvenient for factory."

The second man holding a cup and a packet of birth control pills says: "Take a pill now! We are to be powerful… we are unpunishable. Authorities agree, ha ha!"

The question at the bottom of the cartoon asks: "What happened to the authorities?"

### *The Intersection of Globalization and Ethnic Politics*

The cartoon and the labor abuses at Mandarin International illustrate a new phenomenon at work. Investment from Asia (Taiwan, Hong Kong, and Korea) into El Salvador and Honduras is meeting demands from American companies (like The Gap), for the supposed benefit of American consumers. In the 19th century, Chinese laborers were brought from China to Central and Latin America to work for foreign firms and large plantations; they were the work force of the global economy. Now, Chinese immigrants are the owners and managers of capital and investment, while the mistreated workers are the young women of Central and Latin America. As Brooks mentions elsewhere:

> "Scholars have identified the current period of flexible, just-in-time (JIT) production systems and the 'new international division of labor' (NIDL) as being marked by an increased globalization of production and finance. The literature on globalization has also focused on space as socially and historically produced organizations that may shift over time. Such categorizations are useful in understanding the period of globalized finance and manufacturing as something new, but often the focus on 'symbolic exchanges' and signs leads us to think of globalization as happening somewhere outside of everyday relations and productive exchanges." (Brooks 2000)

As part of these "everyday relations," which are the local manifestation of Lash and Urry's economies of signs and symbols, ethnic Chinese are the locally marked adversaries of Central American and Caribbean workers. Just as they were 100 years ago, Chinese in Central America are seen as outsiders, and their presence as owners and managers of capital is seen as a graphic example of where countries like El Salvador and Honduras stand in relation to the dynamic "success stories" of East Asia—and in relation to the imperial power of globalization located in the United States. The incentives that encourage Chinese migration to Central America are part of the policies of U.S., Asian, and Central American governments, and are marks of U.S. and European consumption practices and corporate interests. In part because they are seen as racially and culturally different from their workers, Chinese managers and owners are marked particularly as agents of abusive economic interests that are at the heart of organizing and overseeing apparel production.

Within globalized economic relations, corporations have become enormously powerful —backed by the policies, practices and violence of nation-states. Retailers, through the system of commodity chains and transnational subcontracting, become employers of labor around the globe and are in an exploitative power relation with a transnational workforce. Taiwanese and Hong Kong investment in El Salvador and Honduras would not have been so enticing if not for the possibility of getting around quota allowances. Interestingly, it is possible that these quote arrangements will be dismantled under new GATT/WTO regulations which would abolish the quota system now in place. However, the WTO has continually postponed this measure. Meanwhile, Taiwanese and Korean firms have been establishing textile factories around the globe to produce more goods for the American and Canadian market. If the quota system ends they could close the more expensive factories, or there could be advantages to maintaining a global production system.

To return to the case of Mandarin International in El Salvador, two significant things needed to happen before working conditions could be improved. First, when workers' attempts to organize were repressed by management, Claudia Molina and Judith Viera, with the support of U.S.-based labor activists, embarked on their campaign to educate consumers and the media about the deplorable working conditions they endured. Second, The Gap, motivated by falling profits, was forced to improve labor conditions there. It was the combination of workers' testimonies, and their appeal to consumers, and international corporate attention that worked to address problems at Mandarin International.

Labor campaigns like the one targeting The Gap had an impact both on the American retailing giant and on a range of sectors within El Salvador: low wage laborers, banks, and government officials each had a stake in the outcome of the Mandarin case. Likewise, the political-economic relations of Taiwan, Hong Kong and Korea are also affected by such conflicts. Finally, the battle over garment production and the rights of labor are most crucial for El Salvador. Peace rests on the Salvadoran government's ability to ensure 'stability' and 'productivity'—before international recognition of the abuses at Mandarin, no thought had been given among government and corporate representatives to the fact that what were seen as stable and productive political-economic relations in practice rested on labor abuse and exploitation.

One of the social consequences of the increased globalization of the economy is heightened income inequality. This is true both domestically in countries such as El Salvador and Honduras, but also internationally, between share-holders in the corporate entities on the one hand, and consumers, the subcontracting firms, and the sites of production on the other. Economic inequalities have also been, in part, responsible for ethnic hostilities in countries where Asians are the new investors. The political elites of all three countries involved in the Mandarin dispute, El Salvador, Taiwan, and the United States, have tended to shy away from direct involvement in labor-management disputes like the one at Mandarin International. The Salvadoran government (first under President Calderon, and now under President Fernando Flores) has tried to woo foreign investors from Taiwan and South Korea through tax-incentives in US and Asian-built free trade zones to facilitate textile exports to the United States. The various governments involved tended to ignore labor abuses and working violations, until an international protest campaign was organized around labor abuses and violations at Mandarin and targeted at one of its retailers, The Gap Inc.

Both politically and economically, Taiwan has a number of incentives to want to maintain an economic presence in Latin America. The Taiwanese government and Taiwan-based capitalists are interested in improving diplomatic relations with as many nations as possible as a counterweight to the People's Republic of China's efforts at attracting diplomatic supporters. In its quest for global recognition and respect, Taiwan has implemented an active program of foreign aid and foreign direct investment (FDI). Countries in Central America have been targeted for their attention precisely because they are underdeveloped and in need of economic support. However, Taiwan is not investing in Latin America for purely political reasons. Taiwan also has significant investments in Southeast Asia. Countries that have received FDI from Taiwan include Indonesia and Malaysia, two countries with significant Chinese populations.

In both Indonesia and Malaysia, Chinese (with and without links to foreign partners) have developed a reputation for being the engine of economic growth in the 1980s and 1990s. Chinese in both countries are part of the wealthy elite who benefited from state-led development efforts of the last twenty years. Taiwanese (and Japanese) investors have developed business networks with local Chinese businesses throughout Southeast Asia. In Indonesia ethnic Chinese in particular are viewed with hatred and envy. A small number of very rich Chinese business men forged close links with former President Suharto and they were the beneficiaries of much of that country's economic growth. One of the reasons that Chinese in Southeast Asia became so dominant economically stems from their position as a middleman minority under colonial rule. Just as they were in Latin America, Chinese were treated differently than the indigenous peoples in both British Malaya and in Dutch-controlled Indonesia. Chinese were seen as useful merchants and traders so that their position was relatively protected during colonialism. After colonialism ended in Asia, Chinese had better access to capital and already had developed trading and banking networks. Therefore, they had a head start in developing independent businesses. Although Chinese in both Central America and Southeast Asia are viewed as economic elites and as part of the problem with globalization of capital, Chinese in Southeast Asia are different from their counterparts in Latin America in some significant ways. First, there are far more Chinese in Southeast Asia than in Central America; Chinese are 30% of the population in Malaysia, and between two and three percent of the population of Indonesia. Second, immigration to Central America continues today, Chinese from the People's Republic of China continue to make their way to the Americas. There has been little new Chinese immigration to Malaysia and Indonesia since the 1960s. Lastly, since the local Chinese population is so small in Central America the Chinese and Taiwanese factory managers and owners are more noticeable.[6]

## *Conclusion*

This research began with a simple question or puzzle, are Chinese migrants to Latin America treated differently now than one hundred years ago, and if so, why? From our research, it seems that while their social and class position is vastly different now than in the 19th century, they may still be stereotyped and stigmatized. Does class make a difference in the perception or treatment (or societal position) of Chinese in Latin America? Class, when combined with gender, history, race and ethnicity, works to reinforce some societal positions while breaking down others. All of these factors, closely intertwined with the globalization of capital, have contributed to the negative images of Chinese in Latin America. As their class positions have changed, Chinese immigrants in Central America are seen as the local faces of exploitative global capital. As such, Chinese continue to be viewed as distinct from the domestic population, as foreign, and as raced, gendered and classed others.

### *ENDNOTES*

1 For more on early Chinese immigration to Latin and Central America see Lynn Pan (ed.) 1999. *Encyclopedia of Chinese Overseas* (Cambridge, MA: Harvard University Press).

2 For a good view of this see Alejandro Portes and Ruben G. Rumaut 1990. *Immigrant America: A Portrait.* (Berkeley, CA: University of California Press).

3 The word "coolie" has two origins. It comes from the Chinese term *ku li*, or bitter labor, and it has an Indian or Hindi origin, *kuli* meaning bonded labor. (Ding 1997)

4 There is no paperwork or corroborating evidence to support his claim that he actually closed down a Hong Kong garment factory. While the story might very well be true, it is also possible that this official wanted to look concerned and proactive to an American researcher.

5 Most people interviewed in El Salvador (workers and union organizers) did not differentiate between Taiwanese, Hong Kong Chinese, Koreans, or other Asian factory owners. All Asians were generally referred to as "Chinos". Since the cartoon appears in a newspaper, it makes more sense that the negative image of Asians in general is specified as mockery and criticism of Koreans. It would not have been surprising to see the same cartoon portray Chinese factory owners in the same light.

6 For more information on the Chinese in Malaysia and Indonesia see Amy Freedman *Political Participation and Ethnic Minorities Chinese Overseas in Malaysia, Indonesia, and the United States* (NY: Routledge) 2000.

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