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MULTINATIONAL CORPORATIONS' ROLE IN IMPROVING LABOUR STANDARDS IN DEVELOPING COUNTRIES

ABSTRACT

This paper revisits the discourse on the roles of various stakeholders in improving labour standards in developing countries, paying particular attention on the role of multinational corporations (MNCs). This article argues that big business's ability to improve labour standards is a multifarious issue, often misunderstood as overlapping motivations from a plethora of actors like the nation state, national and international labour unions and donor agencies are inter-engaged in complex political-economic contexts and have yet to agree on universal labour standards. None of the actors have sole responsibility or can unilaterally improve labour standards. While MNCs are seeking profit, developing countries are caught between foreign direct investment and overall economic growth through global trade. To substantiate, this article considers representative examples from mass produced consumer goods industries, which are major foreign exchange earners in developing countries, and are positioned at the centre of North-South and South–South competition in the complex matrix of global trade.

Key Words: labour, markets, unions, MNCs, trade, developing countries

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INTRODUCTION

> As the new Leviathans of our time, multinational corporations are: *[P]ractically in every sphere of modern life, from policy making in regard to the environment and international security; from problems of identity and community; and from the future of work to the future of the nation state.*
>
> Gabel and Bruner (2003, *vi*)

Multinational corporations (MNCs), commonly referred to as 'big business', are a powerful economic force (Chandler and Mazlish 2005, 2, Penrose 1995). In an increasingly globalized[1] world, MNCs integrate with developing countries in a multifaceted manner. The debate over MNCs is not new, nor is it complete. Marx, in *Capital Vol. 1* (1876), and Marshall, in *Principles of Economics* (1920), note that the concentration of competition among firms leads capitalist processes and labour division creation, which are critical to attain economies of scale. At present, access to cheap labour is an essential integration that MNCs exploit by outsourcing to small and medium contract firms in producer countries.

Outsourcing shifts core activities that used to be within MNCs to arms-length transactions (Castells 2000, Porter 1990). Low-skilled industries depend on outsourcing and contracting suppliers in developing countries from small and medium enterprises (SMEs) (Weil 2006). Although, this renders firms like 'islands in a sea of market transactions' (seen in Nolan 2006, 5), some argue that with the broad dependence on SMEs through outsourcing, MNCs boundaries are changing, or more cynically 'growing hollow' (Malone and Laubacher 1998, 147).

Nolan argues that the 'global business revolution' has 'fundamentally changed the nature of the capitalist firm, the pattern of competition and the way in which economic production is organizing in much of the global economy' (Nolan 2006, 1). This view rejects the 'growing hollow' hypothesis. Rather, MNCs are intensifying their power through mergers and acquisition. In buyer driven global commodity chains (GCCs), MNCs' concentrated power penetrates the whole supply chain to ensure productivity, efficiency, and reliability of performance (Gereffi 1999, 2003).[2] The bottom of the supply

[1] Globalization is the free movement of goods and capital across borders, but not labour (Rodrik 1997).
[2] Supply chain refers to the linkages between sequential stages of production (Gereffi, Humphrey, and Sturgeon 2001).

chain is typically labour heavy as production is located in highly populated developing countries.

Employers in certain industries face significant incentives to violate labour standards laws (Ahenfelter and Smith 1979). Insufficient regulatory framework on labour standards in both developed and developing countries creates the opportunity to act on the impulse (Grenier 1982, Yaniv 2001). While the distinction between issues of labour standards versus labour practices are unclear, this essay treats labour standards as policies and regulations, from local to international mandates, whereas labour practices are the actual labour conditions on the factory floors. With the incentive and ability, MNCs have the power to affect labour conditions. The question becomes, are big businesses really the most powerful force to improve labour standards in developing countries?

This essay questions big business's ability to improve labour standards as the discussion point simply formulates. Rather, it is a multifarious issue with overlapping motivations from a plethora of actors. This paper argues first, as profit seeking entities, MNCs' motivations are complexly tied with labour standards and its practice. Second, MNCs' foreign direct investment (FDI) flows selectively and strategically to a handful of fast-growing, highly populated developing countries and therefore mainly influences labour standards in those countries.[3] For the rest of the developing world, MNCs' ability to affect labour standards is very limited. Third, MNCs are not the only actor in the current international trade environment capable of improving labour standards. Other actors include the World Trade Organization (WTO), the United Nations (UN) International Labour Organisation (ILO), host governments, non-government organizations (NGOs), and labour/trade unions, all of which are inter-engaged in complex political-economic contexts.

This essay considers mass produced consumer goods industries, such as apparel and footwear, in developing countries because they are labour intensive, a major of source of foreign exchange for many developing countries, and also illustrate the shift from North-South to South–South competition to reveal the complex alliance of different interest groups in relation to labour standards. The apparel industry is also the first step on the economic ladder for many countries because it is profitable with little capital investment using low-waged, low-skilled labour.[4] Finally, branded apparel MNCs' outsourcing operate

[3] FDI is a firm's acquisition abroad of physical assets such as plants and equipment, with operating control residing in the parent firm outside the country where the acquisition occurs (UNCTAD 2007).
[4] This was the case in Europe, Japan, Taiwan, and Korea. See Chang (2002) for details.

largely through local agents and subcontractors in developing countries, allowing MNCs to maintain their bargaining power while avoiding direct control over the actual labour conditions (Rivoli 2003).

The remainder of this paper is organized as follows. The next section reviews international labour standards considerations from the tenets of the ILO to wage and working conditions. The interests of MNCs in developing countries are then examined, focusing specifically on the apparel industry. The discussion then shifts to the complexity of the labour movement as different actors are divided in ideology and approach, followed lastly by the conclusion.

INTERNATIONAL LABOUR STANDARDS: A WORLD OF DIVISION

This section reviews international labour standards and its progression in the context of divergent geo-political and economic environments of global trade. The 1947 preamble of the original General Agreement on Tariffs and Trade (GATT) states: 'Relations among countries in the field of trade and economic endeavour should be conducted with the view of raising standards of living and ensuring full employment' (seen in Harvey *et al.* 2000). The language continues to be included in the preamble to the 1995 WTO Agreement (*ibid*).

Little towards this end has been achieved as the debate between developed and developing countries continues to play out at WTO negotiation meetings (e.g., Human Rights Caucus 2005). A major reason behind this is the political economic conflicts between developing and developed countries, as market liberalization offered both challenges and opportunities for developing countries. At the first WTO Ministerial Conference in 1996, the US and the European Commission supported labour standards enforcement on a human rights basis, whereas minimum wage and labour rights were missing from the agenda. Asian nations questioned Western countries' motivation and resisted linking trade with enforceable labour standards because such standards could be used as non-tariff barriers to trade (Fields 2003). The Ministerial Conference concluded: 'We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question' (WTO 1996).

The task of ensuring labour standards was delegated to the ILO. The ILO is an UN organization charged to oversee labour standards around the world. The ILO passes resolutions and urges nations to *honour* their obligation to work towards the realization of the ILO Declaration of Fundamental Principles and Rights at Work declared in 1998 (ILO 1998). However, scholars and practitioners argue that the ILO does not have any enforcement powers, prompting critics to label the organization 'toothless' (Chan and Ross 2003,1012, Coony 1999). The declaration established four areas of fundamental labour standards, or *core labour rights*. They are: 1) freedom of association and the right to collective bargaining; 2) abolition of child labour; 3) a ban on forced labour; and 4) the elimination of discrimination with regard to employment. These are also known as 'social clauses' at the legal level. *Labour practices* embody the implementation of these standards, as well as minimum wages versus living wages,[5] limitation of work hours, and occupational health and safety (Singh and Zammit 2000, Elliott and Freeman 2003).

However, as the debate over incomplete labour standards persists. The question is how to realize this when 'decent work evolved with social and economic progress and goals can and should rise over time' (Singh and Zammit 2000, 47). Many developing countries either do not have laws to protect these rights or, due to institutional and infrastructural limitations, cannot implement them. The limited implementation of core standards affects labour practices.[6] In 2000, the ILO introduced 'decent work' as means of capturing and realizing objectives from different interest groups involved in the debate (ILO 2000). The following section analyzes the complexity and contradictions embedded in labour standards discourse within the context of international trade.

MNCS AND DEVELOPING COUNTRIES

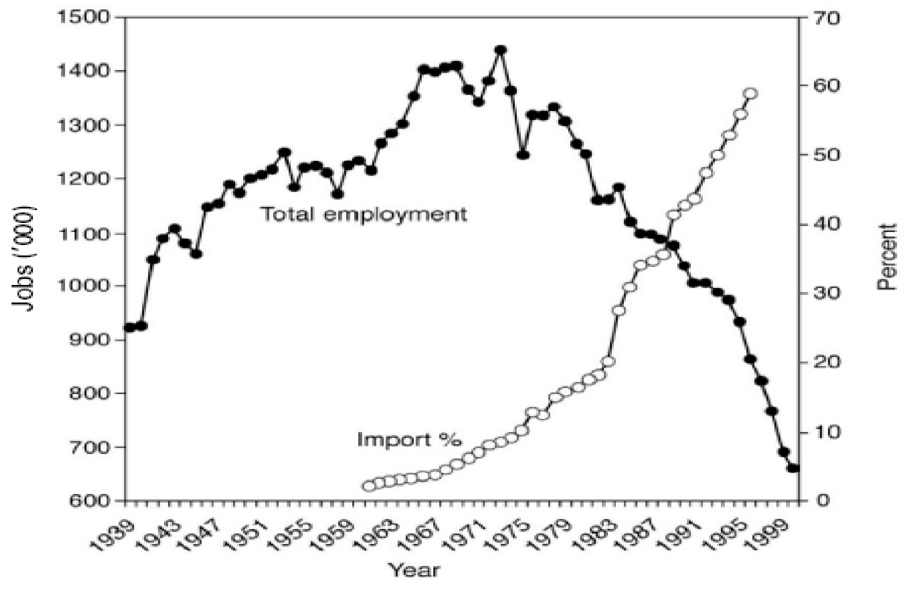
This section explores MNCs' relationships with developing countries, particularly with respect to mass produced consumer goods industries, which remain labour intensive despite technological upgrading. Primarily, MNCs and developing countries are intertwined with political economic relationships of convenience. Few countries can sustainably provide an environment conducive to MNCs' FDI. As a result, the effects of labour standards vary widely among developing countries.

[5] Minimum wages is not synonymous for living wages since the minimum wage may not be adequate to live on.
[6] See Arbache *et al* 2004 for elaboration on this topic.

Why are developing countries attractive to MNCs?

The first reason MNCs are attracted to developing countries is consistent with neoclassical economic theory that countries with a relative abundance of low-skilled and unskilled labour will specialize in the production and export of goods using their factor endowment. Wood argues that global competition among labour-abundant countries like China, India, and Indonesia changes the nature of factor endowments as it pressures production technique improvements to remain competitive, while pushing down wages (1999). As labour requirements increase, new industries develop. When the US, Japan, and South Korea moved out of the apparel industry in the course of economic expansion, China and other developing countries moved in (Chang 2002a, Singh and Zammit 2000). Figure 1 shows the shift in the US from domestic production to import consumption of apparel goods. Correspondingly, MNCs locate facilities in countries that specialize in production.

Figure 1: US apparel employment ('000s) and import penetration (%), 1939-2000



Source: Seen in Chan and Ross (2003, 1015).

Second, a goal of most MNCs is to remain competitive and increase market share, often implemented through effective uses of cost structures. As firms increase in size, they locate capital investments in production facilities where operational costs are low.

Developing countries are increasing attractive to MNCs because they enable bargaining power over wages, since labour supply is inelastic with respect to wages in developing countries. As such, wages tend to decline in developing countries undergoing trade liberalization, such as Mexico's experience with the North American Free Trade Agreement (NAFTA), shown in Table 1.

Table 1: Wages in Mexico, 1990-1999 (1990 = 100)

Year	Minimum wage	Minimum wage in manufacturing
1990	100.00	100.00
1993	67.50	111.40
1994	65.80	105.20
1995	81.10	88.70
1996	66.50	81.20
1997	58.90	82.90
1998	56.90	85.70
1999	55.40	88.40

Source: Seen in Chan and Ross (2003, 1020).

Cheap labour is central to the low-skilled industry's growth. Today, virtually all name brand and own-brand garments and shoes are based in developed countries and employ production facilities in developing countries. Labour costs account for only 1% to 3% of the retail price paid by the final customer, while profit margins are more than 50% (WRC 2005).

Third, MNCs are interested to take advantage of emerging markets in developing countries, so locating production facilities in these countries positions firms favourably. As MNCs seek to increase market share through expansion - a critical factor of remaining competitive globally – they prefer countries that fulfil both of the requirements of low cost production and easy access to emerging markets (Kozul-Write 2004). Companies are hence more likely to invest in China than in Myanmar.

Fourth, the consumer goods industries are sensitive to changes in quality, delivery reliability, and production schedules to meet constant consumer demand (Moran 2002, The New York Times 2002/06/29). MNCs invest in developing countries where firm-specific advantages allow rents to be created to compensate for costs (political, social, cultural, etc.) that can make overseas production uncertain and expensive. For instance, Schoenberger attributes the shift of apparel companies from Myanmar to China in the

1990s to increased transaction costs stemming from political instability and human rights abuses (2000, 77-106).

Given the factors motivating production facility location, the mass produced consumer goods industries are concentrated in only a few developing countries, demonstrated by the apparel industry shown in Table 2. African and Latin American countries are saliently underrepresented, despite low-waged labour forces and geographical proximity to the US.

Table 2: Twenty principal world employers in apparel, 1998

Ranking	Countries	Employees ('000)
1	China*	3,677.8
2	United States	793.0
3	Mexico	567.1
4	Russian Federation	392.8
5	Japan	319.0
6	Bangladesh	316.5
7	Indonesia	289.3
8	Poland**	250.0
9	Italy	213.5
10	United Kingdom	201.0
11	Brazil	185.9
12	Romania	180.0
13	Philippines	178.1
14	Korea, Republic of	177.6
15	Turkey	166.1
16	Thailand	160.0
17	South Africa	145.8
18	Portugal	136.7
19	India	133.2
20	Tunisia	125.4

* Data for China include clothing and footwear.
** Based on nomenclature ISIC Rev.3-D.
Source: Seen in ILO (2000, 20).

Why are MNCs attractive to developing countries?

Developing countries are attracted to MNCs mainly because of the FDI that they bring. Aid and financial grants have declined since the 1980s, so developing countries' governments are increasingly focussed on FDI (UNCTAD 2007). FDI creates employment opportunities and new economic sectors though technology and skills transfer, and helps with external debt payments (Brittan 1995, 2). Although some scholars are sceptical of FDI's effectiveness to improve growth in developing countries (see Chang

2007), others are certain of it (Wolf 2004). Regardless of the debate, FDI plays an important role in many developing economies.

One benefit of MNC investment in developing countries is increased productivity in export sectors. Tybout and Erdem analyzed trade liberalization's effects on developing countries' productivity from the early 1970s to the mid 1990s and found that productivity increased as supply chain integration intensified, but was uncorrelated to the overall growth rate (Tybout and Erdem 2003). Similarly in Bangladesh's apparel industry, FDI increased employment opportunities and raised gender equality, but had little effect on poverty reduction (Kabeer and Mahmud 2004). Consistent with Wood's argument, this sector is low-skilled, not unskilled, and thereby excludes the extreme the poor (1999).

Another reason to attract FDI is that MNC operations bring technological and other spillovers (Lall 1992). However, these spillovers are industry-specific and only become significant to economic growth when appropriate local capabilities already exists, particularly in high to middle level technology based industries (UNCTAD 2007). This is not pertinent for the apparel industry because it uses low-level technology that is easily learnable, replaceable, and fixable with low investment (Schoenberger 2000). Also, some countries Bangladesh and Myanmar do not have the initial platform for technological innovation, and the exploitation of cheap labour is more profitable than improving technology.

While developing countries compete to receive or retain their share of FDI, the playing field is not level. Investment-money follows proven success. 2006 FDI inflows to Asia maintain an upward trend at 15%, with the highest share destined for China and Hong Kong (UNCTAD 2007). The ten developing countries receiving the most FDI collectively gained 80% of all FDI in 1980. The list remains relatively the same a quarter century later (UNCTAD 2007, Chan and Ross 2003). This concentration of FDI exacerbates South-South competition and negatively effects labour standards.

What are the effects on labour standards?

There is ongoing debate on the effect of MNCs on developing countries' low-skilled apparel labour standards. Wood argues that North-South trade disparity and the demand for low-skilled labour lowers wages in developing countries (1994). Singh and Zammit reject that hypothesis since South (sans China) exports to the North accounts for only 2% of OECD nations' GDP, so trade's effect on wage dispersion is limited (2004, 18). Recent studies argue that internal political and economic factors are the primary forces affecting wages (Rodrik 1999, Kucera 2001). Rodrik relates this to export-promotion development strategy, where labour supply inelasticity gives MNCs more bargaining power over wages and choices (1997).

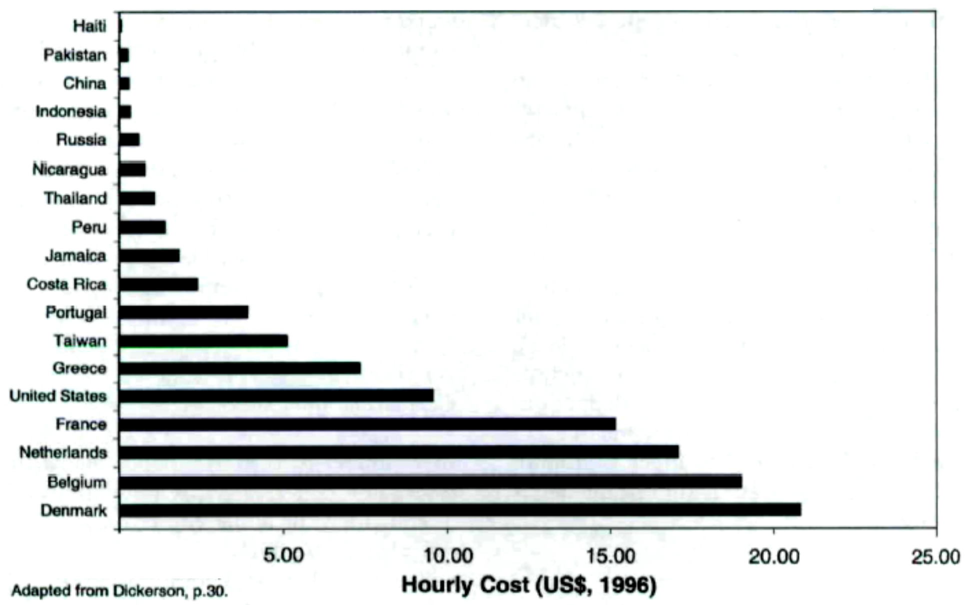
Integration into the global supply chain increases competition in the labour intensive export industries, challenging labour practices in developing countries (Gereffi *et al.* 2003). One immediate effect is low wages in developing countries' mass produced consumer goods industries, as seen in Figure 2. Notice the polynomially increasing slope of wages from developing to developed countries. The lowest wages reflect the intensity of South-South competition and internal political and economic issues. Ten years later, Ajit Singh and Ann Zammit argue that this pattern has not changed (personal interview 2008).

Moreover, nation-states are in a difficult situation in terms of their response to labour standards and practices. Case studies show the apparel industry created 42 million jobs in that government supported EPZs in developing countries (Perman et al., 2004).[7] However, concomitant with the government support were bans on unionization and restricted workers' bargaining power, further lowering wages (*ibid*). Farber (1996) documents a decrease in job security in developing countries in the 1990s compared to the 1980s. Job-loss rates are higher now than the recession of the early 1980s, particularly among low-skilled workers such as craftspeople, operatives, and labourers (*ibid*).

Similarly, declining wages in the Mexican apparel industry (Table 1) have been linked to competition for international trade and ineffective government policies (Hanson 2003). Despite the drops, Mexico's monthly wages were twice as much as China's (US$ 110 versus US$ 54) in 2000, luring FDI from one to the other (Chan and Ross 2003). According to Chinese government standards, the minimum wage of a locality should be set at 40% to 60% of the average wage in that locality, and there is even competition among regions to lower wages more (Chan and Ross 2003, 1019). While attention on China peaks among pro-globalization forces, the Gini coefficient rose sharply from 0.33 in 1980 to 0.458 in 2000, and China is among the countries with the highest levels of inequality in the world (World Bank 2006).

[7] The ICTFU analyzed case studies on Bangladesh, China, Dominican Republic, Haiti, Honduras, Madagascar, Mauritius, Mexico, and Sri Lanka (2004).

Figure 2: Labour costs in apparel production, 1996



Source: Seen in Rivoli (2003, 228).

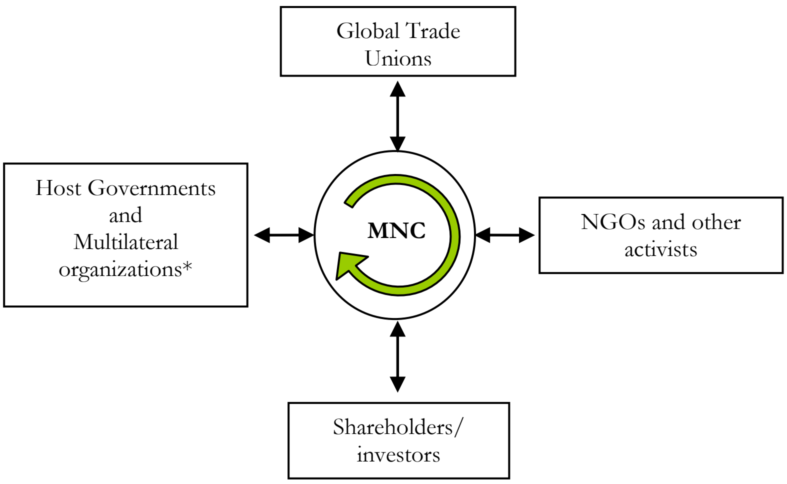
Furthermore, developing countries specializing in the apparel industry entered a new phase of intense competition after the elimination of the MultiFibre Agreement in January 2005, which implemented import quotas in developed markets. The World Bank and the International Monetary Fund predicted that Bangladesh's garment industry may shrink by 30% as a result of lifting the quota regime, while exports actually grew by 24% (Tahmina 2006). The fundamental reason behind this is that the Bangladesh government, whose top foreign exchange earner is the apparel industry, worked actively to support apparel exports, including turning a blind eye to labour standards irregularities. This was partially from inadequate infrastructure to monitor and penalize, though perhaps largely from sensitivity to investors' sentiments to keep FDI flowing. This combination made it possible for agents' factories to ignore set minimum wages and coerce labour to work over 100 hours per week in unhealthy environments (Tahmina 2006). This is a complex reality for developing countries - a race to the bottom of wages and labour standards in the shadow of developing states to attract foreign investment.

In sum, globalization has the potential to bring opportunities, but it has transformed developing countries' capabilities to affect labour practices significantly. Governments are becoming more streamlined, workers are increasingly bonded, and confined to factory compounds while paid minimally. Institutional limitations in developing countries to monitor conditions exacerbate the situation, transforming workers into cheap commodities. While the ranks of developing countries compete with each other for foreign investment, only a select few continue to receive the majority of foreign investment.

A STRANGE ALLIANCE - A COMPLEX REALITY

The previous sections discuss MNCs' position in relations to multinational organizations and host countries' governments. This section continues by integrating other actors related to the labour standards discourse into the discussion: trade unions, NGOs, activists, shareholders, and investors. Each actor represents their own political and economic agenda and ideology and each have the power to change the situation for better or worse. The attempt here is to question if MNCs are not the most powerful force for improving labour standards in developing countries, then where do they stand in relation to the other actors? This relationship is stylized in Figure 3, each of which are examined in turn.

Figure 3: Relationship between actors



Notes: * Since, in actors are discussed in sections 2 and 3, this section omits them due to space constraints.

Trade unions

Just as international organizations are divided in their views on developing countries' labour practices in relations to labour standards, so are the Northern and Southern trade unions. The International Confederation of Free Trade Union (ICFTU) is the largest and the most influential trade union organization with 148 countries and territories represented (ICFTU 1999, Perman et al., 2004). It heavily represents developed countries' unions and supports the workers' clause to be included in WTO agreements. The World Federation of Trade Union on the other hand is heavily based on developing countries' unions, rejects social clause inclusion in the WTO, giving prominence to the ILO in this matter.

Even among developing countries, regional trade unions differ in their views. Asian trade unions, particularly India and China, disagree with African trade unions such as the Congress of South African Trade Unions (COSATU) on the enforcement of labour standards to regularize current practices. An All India Peoples' Resistance Forum held a three-day conference attended by 'representatives of 50 organizations of farmers, tribal groups and agricultural labourers from 18 states' that demonized the WTO as a 'brutal enemy' conspiring against the Indian masses (MAI-NOT Forum 1998). Similarly, the All China Federation of Trade Union holds a dissenting voice as well, though more selectively, such as not opposing the labour standards per se, but officially rejecting unionization and collective bargaining. In contrast, COSATU, fear the loss of jobs by MNCs in absence of standards, believes that the WTO should include enforceable global labour standards (Bond 2000).

Despite this division, trade and labour rights are intertwined. In the Sixth WTO Ministerial Conference in 2005, UN Secretary General Kofi Annan reminded the Chinese and other developing country governments that their human rights obligations cannot be abandoned at the WTO door (WTO-Human Rights Caucus 2005). On the one hand, this separates trade from labour rights, and on the other hand, division in views among trade unions weakens their attempts to protect their rights and force MNCs to improve practices. It is important to ensure coherence between trade's means and labour rights' ends.

NGOs and activists

Western NGOs, human rights groups, and other activist organizations that are usually in opposition to their governments in matters of developing countries side with western governments on labour issues (Chan and Ross 2003). With advancements in communication technology, NGOs have become protagonists of labour practice issues for MNCs and ethical trade by building western customers' awareness and activism. Because it is western consumers who the MNCs ultimately serve, the consumer can decide the MNCs' future.

While NGOs may seem anti-MNC, NGO activism is actually 'mirrored in the private sector's activities' (Korovkin and Sanmiguel-Valderrama 2007, 120). One such example is the highly regarded and adopted corporate social responsibility (CSR) policies that entered MNCs' codes of conduct in the 1990s and 2000s anti-sweatshop movements in the US.[8] Levis Strauss, Gap, Phillips-Van Heusen, and others were singled out for condoning undesirable labour practices, while Wal-Mart, a major retailer, was criticized for employing child labour in Bangladesh and Honduras (*ibid*). As a consequence, many of the firms adopted social codes of conduct designed to guide their operations.

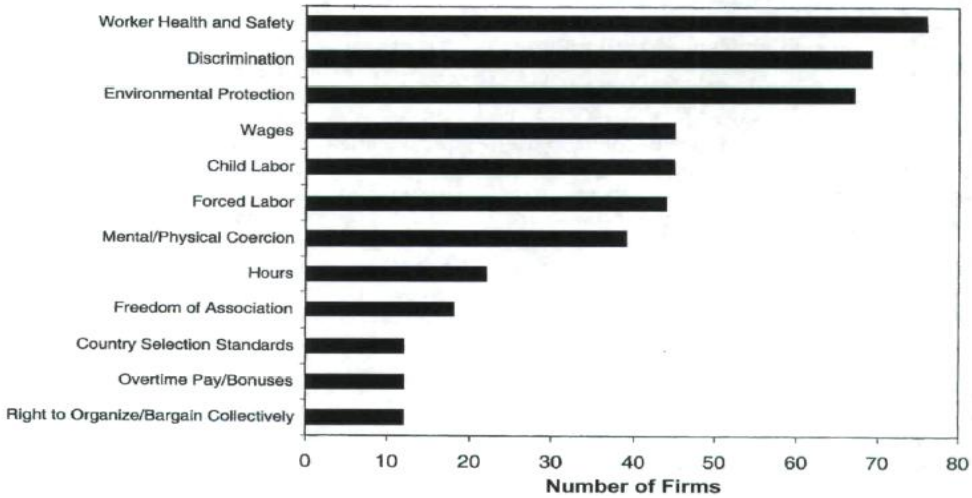
While CSR may appear conducive to brand reputation, many apparel MNCs' requirements stated in their CSRs are often established labour laws or already legally protected in the host counties, or implicitly refer to workers rights to collective bargaining, wage rates, or working condition (Roberts 2003). Yet in many cases, the CSR clauses are not available or clearly explained in developing countries or even to the contractors, agents, employers, or workers on ground. Therefore, the penetration of such changes in corporate management is less visible in practice (Rivoli 2003). Refer to Figure 4 for a breakdown of issues covered by 121 US companies' CSRs.

Some authors optimistically see this change as a way to promote an ethical form of globalization by involving NGOs to monitor the progress (Clark 2001, Faulk 2002). While MNCs are trying to gain win-win situations with their critics (NGOs), some NGOs are taking advantage of their protagonists role by gaining monitoring positions, and persuading MNCs to embrace NGOs' labelling and certification schemes[9] and financing NGOs' activities (Korovkin and Sanmiguel-Valderrama 2007). As western consumers are becoming more aware, MNCs become more reliant on NGOs to improve labour practices,

8 See Elliot and Freeman (2003) for a detailed timeline.
9 For example, Social Accountability International's SA8000.

which have no legal jurisdiction in such matters. It is also a direct way to access customer loyalty by feeding into their world views.[10]

Figure 4: Issues covered in company codes of conduct



Source: Seen in Rivoli (2003, 228).

In sum, strangely enough, NGOs and MNCs are bedfellows because of their shared interests. These strange alliances may help labour practices on the factory floor, but also risk undermining labour practices by introducing a cacophony of incompatible standards and initiatives.

Shareholders/investors

Labour standards are such an issue that MNCs need internal motivation to implement any positive change in developing countries. Such motivations primarily come from shareholders, then trickle down to employees and other members who control the values of the global supply chain.

Research on ethical outsourcing argues that companies are most likely to implement labour standards initiatives when external stakeholders pressure them to do so, but also if it is related to the company's core business strategy (Roberts 2003). Shareholders/investors are one of the key forces to change MNCs, since MNCs

[10] Notice the brands' slogans or propaganda related to the labour practices of their suppliers.

profitability and reputations increase shareholders' value. Firms' cost savings and product and market differentiation approaches are critical to risks of inaction like loss of reputation, loss of market share, or lawsuits, thereby affecting shareholders.

The branded clothing and footwear sector is under high scrutiny, particularly for wage and working condition. For example, Nike faced a barrage of negative publicity about working conditions in its supplier factories that, according to CEO Phil Knight, the Nike brand had become 'synonymous with slave wages, overtime and arbitrary, abuse' (Murphy and Mathew 2001). In 1999, Nike received an international open letter from the Clean Clothes Campaign, to which they defended their position.[11] Their first point of defence is that there is no clear guidance on global labour standards, so they are still struggling to define their role, which takes time. The second point is their dialogue engagement with the Global Alliance for Workers and Communities trade union and various NGOs 'trying to build bridges so we can be more effective in improving the lives and working conditions of Nike *contract workers*' (added emphasis, Knight 1999).

Lastly, business literature surveys show that the US Securities and Exchange Commission has consistently disallowed shareholders' resolutions addressing wages, so investors view labour standards as an inappropriate topic (IRRC 2001, Rivoli 2003). Reflecting back to the earlier discussion on divergent views in section 0, it is not unusual for these profit seeking MNCs to find other ways to engage in a strange alliance with their critics.

As Schoenberger summarizes: 'without a common set of rules on a common set of values, corporations are left to their own devices to make policy decisions on how to manage the human rights challenges in their business operations' (2000, 234). The interaction between different agents and stakeholders is opportunistic at best. Hence, the synergies among different actors are based on their own political, ideological, and economic motivations, creating a complex reality for developing countries' labour.

CONCLUSION

The topic of economic development has never been easy. The labour standards issue is particularly divergent, conflicting, and contradictory between theory and reality. It is not the target of this essay to provide any policy suggestions since enough has already been done (see Singh and Zammit 2003, Elliote and Freeman 2003, ILO 1998, 2000). Rather,

[11] See allegations in the letter at http://www.cleanclothes.org/companies/nike-99-9-22.htm

the object was to evaluate whether MNCs are truly the *most* powerful source to improve labour standards. Given the number of arguments presented in this essay, it concludes that the extent to which MNCs expand in *some* developing countries, they can only improve labour standards as it is conducive to their bottom-line. It is unfair to limit this point to MNCs; each and every actor, represents their embedded political-economic standpoints.

In the epoch of the global industrial revolution, competition among developing countries creates a much more challenging environment than ever before. Although globalization promotes ways to reduce unemployment and scarcity of FDI, only a few recipients benefit. Not much has been added to poverty alleviation as the tradeoffs between employment creation and wages and labour practices are high. Moreover, the discourse on labour standards is becoming even more convoluted as practices are often misrepresented as standards. Labour standards are enforceable and only the host countries government has the power to do so. MNCs' contracting agents in developing countries have the power to influence to improve labour practices in the supply chain, but limited direct-control over the real situation.

Therefore, MNCs cannot uniformly promote labour standards and improve labour practices. Firstly, because they do not find all developing countries equally attractive, MNCs have no aggregate influence over all developing countries. Secondly, MNCs are only one of the actors of this growingly integrated-complex world whose approach to labour standards is deeply rooted in beneficial and reciprocal exchanges. Similarly, other actors involved in this discourse are facing the reality of 'ever more complex games, ever-larger and ever-more complex non-zero-sum games' and are responding from a strangely aligned position with others (Wright 2000, 7). Therefore, unless there is continuous pressure from the end-consumers, NGOs, international organizations, and mandated by the host governments, MNCs have little incentive to voluntarily evoke change. When these actors have worked together, real change has happened in eradicating smallpox and obtaining patent-free anti-HIV drugs, so too can real changes be made to improve labour practices in developing countries to fulfil the ideals defined in labour standards.

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