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Big Business, NGOs and Labour Standards in Developing Nations: A Critical Reflection

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Abstract
This paper will examine the linkages between global big businesses, NGOs and labor standards in the contemporary context of developing nations. Specifically, it will pay close attention to multinational corporations' practices in terms of wages, foreign direct investment and supply-chain formations, and its overall effects on labor standards. Reflections on trade agreements will also be offered in respect to how they affect labor standards. Coiled in this background, the role of NGOs to promote and improve labor standards in developing nations will be critically examined.

Keywords: Labor standards; NGOs; multinational corporations; North-South divide.

Labor standards in developing nations have benefited from its linkages with global big businesses. However, revelations in the 1990s by non-governmental organizations (NGOs) that many global corporations operating in developing nations engaged in sweatshop labor have marred the talk of improving labor standards (cf e.g. SC, 2000; WOW, 2007). This paper will explore various perspectives on the relationship between multinational corporations (MNCs) and labor standards that emerged out of this reality. Although global big businesses have invested in various industries throughout the developing world, our focus will be limited to manufacturing industries, as it provides the best source of analyzing labor standards.

In the first section, we will briefly define and outline our definition of labor standards. This will be followed by a critical analysis of the linkages between MNCs practices and labor standards in developing nations. Here, specific attention will be paid to the role of wages, foreign direct investment (FDI), and the organization of the global supply chain, and its effects on labor standards. We will see in the third section that since the 1990s, NGOs—particularly in the North—have launched intensive campaigns attacking various MNCs on their labor standard records. The role of NGOs will further be expanded at this point, especially in respect to NGO's codes of conduct. The fourth section will discuss the viability for the inclusion of labor standards in trade agreements. And the final section will focus on China as an example of how multinationals, the process of globalization and also China's own government policies, have affected labor standards.

Defining "Labor Standards"

To assess global big businesses' impact on labor standards in developing countries, the term "labor standards" requires some clarification. The international community often refers to the International Labor Organization's (ILO) *1998 Declaration on Fundamental Principles and Rights at Work* as the yardstick for measuring labor standards. The *Declaration* refers to:

1. freedom of associations and the right to collective bargaining.
2. the elimination of forced and compulsory labor,
3. the abolition of child labor, and
4. the elimination of discrimination in the workplace.

The international community considers these four tenets as the "core labor standards" (CLS). Despite its ratification by various member countries of the ILO (2007), its implementation remains one of the most contentious parts of the *Declaration*. These standards are regarded by many from the United Nations to NGOs such as War on Want, as fundamental human rights.[1] However, Singh and Zammit argue that the linkage between CLSs and human rights will often preclude any other factors from entering into the debate relating to its enforcement in developing countries (Singh and Zammit, 2003: 10). We will discuss this in further detail in section five.

There are other labor standards that we must also account for and if our sole focus is on the CLS, then we are endangered in creating a "hierarchy" of labor rights. Thus, in our understanding of labor standards and assessing the effects of MNCs, we must incorporate more tangible elements relating to wages, health and safety in the workplace. Mehmet *et al.* provide a useful working definition that combines ILO's core standards and more practical measures:

> Labor standards can be understood as social regulations, in that they are explicitly designed to address fairness, health, and safety, but they are also economic, in that they control price (minimum wages), and entry into and exit from the market (regulation of term and hiring, mandatory recognition of unions, etc.) (Mehmet *et al.*, 1999: 90).

This comprehensive definition will set out the parameters in which we will assess the effects of MNCs on the labor standards of developing countries. Nonetheless, as we will see in the following sections, the information available either gravitates toward the core labor standards as the benchmark for improvement or the wages earned by workers, especially in the manufacturing industry.

Is There "Race to the Bottom"?

The data looking at the impact of global big businesses on labor standards in developing nations have primarily focused on the manufacturing industry's production of clothing, footwear and toys. In this section, we will examine the effects of global big businesses on labor standards, in relation to wages, FDI, and the global supply chain. We will see that MNCs have made a positive contribution on labor standards in developing countries. However, in the hopes of attaining a greater profit margin, changing MNCs business practices have put enormous pressure on the lower end of the global supply chain.

MNCs and Wages

Global big businesses have had a significant impact on the wages of labor-intensive industries of apparel, footwear and toys in developing countries. This impact is generally a positive one, yet critics argue that MNCs are creating strong competition amongst developing nations for foreign investment and in the process, driving down labor standards or creating a "race to the bottom." This has not stopped the fear emanating from the North. Northern trade unionists and campaigns have been particularly vocal in their assessment of MNCs. Many are strongly suggesting that MNCs are withdrawing from the North to invest in the South, where labor standards are lower and cheap labor is in abundance. As a consequence, mass unemployment is created. US critics are especially vehement in their attack on MNCs. "Why does America's elite support policies that export jobs and technology, import foreign workers, erode national sovereignty, and destroy our standard of living?" (Jasper, 2003).

While this assessment is somewhat extreme, it is in the vein of similar criticisms. The fear and threat generated by these campaigns relate to three issues for the workers of the North, particularly in the manufacturing sector: the loss of employment and wages to workers to the South, and the erosion of their bargaining position with the MNCs. Singh and Zammitt (2004) offer a different perspective. They are adamant that the "labor market deficits" of the North in the last twenty years is not a result of the South's rise in manufacturing. Rather it is the internal developments such as economic and technological changes that have largely affected the de-industrialization of the North. Similarly Slaughter and Swagel (1997) concluded that while the North has experienced growing unemployment, the causation cannot be squarely allocated to that of outflows of capital and increasing trade competition from the South.

> [This is] contradicted by the historical evidence that free trade and the mobility of labor and capital improve global welfare and tend to improve national welfare for all countries involved (Slaughter and Swagel, 1997: 11).

We can therefore see that the correlation between MNCs and the “labor market deficits” of the North is slim. Moreover, the “race to the bottom” between the North and South cannot be leveled against MNCs or even that of the South in such haphazard fashion. Nonetheless, the debate has now shifted to that of MNCs driving the labor standards down within Southern countries. The argument is that MNCs are pitting developing nations against each other as they fight for the investment of the global big business.

The race between Mexico and China is an oft-cited example of MNCs fuelling the race to the bottom, in pursuit of the US market. The apparel industry is the most contested domain between the two nations, both supplying approximately 15 percent of all US apparel imports. Nevertheless, the proximity of Mexico to the US and the advantage of the North America Free Trade Agreement (NAFTA) have placed Mexico’s apparel industry in a better position than the Chinese. Consequently some global big businesses and its subcontractors, have started to pull out of China to relocate to Mexico to capture an even bigger share of the American market. The expansion of various Chinese and Mexican labor intensive industries has not coincided with a rise in wages for workers in either country. Instead, Mexican workers in the apparel industry suffered a 28 percent decline in the purchasing power of their wages between 1994 and 1999 (cf Chan, 2006; Lu, 2007).

Although there is no doubt that competition exists amongst developing countries for the investment of global big businesses, the “race to the bottom” driven by the MNCs is not so evident. On the contrary, there is a substantial correlation between wage improvements for workers in developing countries employed by MNCs. There is general consensus amongst the literature available to suggest that foreign owned firms in developing nations pay higher wages to local employees for several reasons, including: the need enhance greater productivity; reduce high turnover rates; attract the most able workers; and, improve the morale of the workforce (Brown *et al.*, 2002). Lipsey and Sjöholm (2004) study on foreign investment in Indonesian manufacturing concluded that foreign-owned plants pay an average 50 percent more to their local employees than private domestic factories. Foreign firms involved in manufacturing in Indonesia also offer higher compensation such as bonuses and social security than locally owned plants. Lim (2000) concluded from her research of Nike’s supplier factories in Southeast Asia that workers earn above the national minimum wage. Workers in Nike’s Vietnam supplier factories earned US$670 per annum, compared to an average annual minimum wage of US$134. Similarly, Indonesian workers for the same global company earned US$720, in contrast to US$241 for the national average. It is evident that global big businesses do have a positive impact on the labor standards of developing countries. If we look exclusively at wages as we have done so far, MNCs are able to provide their employees with a better salary when evaluating them against the local national standards. Accordingly, the “race to the bottom” theory does not hold true in light of the evidence available. To further address the idea that MNCs are able to positively influence labor standards in developing countries, is their affect on subcontractors.

Global big businesses also have the ability to influence the standards of its suppliers or subcontractors in developing nations. Of the thirty local Vietnamese manufacturing firms interviewed in the garment and textile industry by Nadvi and Thoburn (2003), ten had been granted ISO 9000 standards as this helps to attract potential US and European buyers. Labor standards in the manufacturing industry of developing countries have shown to benefit from the presence of global big businesses, particularly in terms of wages. However, one of the shortcomings of current research is that the primary focus is on the linkage between MNCs and wages in developing nations. If we refer back to our definition of labor standards, it is evident that we should incorporate more than wages.

MNCs and Foreign Direct Investment in Developing Nations

In the previous section we established that the “race to the bottom” theory requires greater scrutiny. The evidence suggests that MNCs have a positive effect on wages in the manufacturing industry. The flow of foreign direct investment also indicates that labor standards are not being driven downward by MNCs. According to the *2000 World Investment Report*, “developing countries” as categorized by United Nations, received 2.5 times more in FDI than the ‘poorest’ nations (Cited in Carr *et al.*, 2002). Thus, suggesting that MNCs require a certain level of infrastructure and human capital development within the host nation before investing. The Organization for Economic Co-operation and Development (OECD) in its *Policy Competition for Foreign Direct Investment* report concluded that of the 75 nations, with data available since the 1980s, there was “no significant *deterioration* in freedom-of-association rights” (Oman, 2000: 99). It also indicated that labor standards improved in 17 developing nations including Argentina, Brazil, Thailand and Turkey as they moved towards democracy. There is also a significant correlation in Latin America and the Caribbean between the observance of core labor standards and levels of FDI.

Investment by global big businesses in developing nations is positively linked to labor standards, rather than forcing labor standards downward. Capital is investted in countries that provide a level of infrastructure. This is also reflected in Lipsey and Sjöholm’s study of the Indonesian manufacturing sectors. The education levels of workers in foreign-owned plants were higher than the domestic-owned. Six percent of the blue-collar workers in private domestic plants had less than primary education, and only 30 percent had primary education. In contrast, only 2 percent of the blue–collar workers of foreign owned plants had less than primary education and 17 percent with primary level (Lipsey and Sjöholm, 2004: 417). With global big businesses preferring to invest in developing nations with high levels of infrastructure and human capital, we can deduce that labor standards in the manufacturing industry are not being forced down. In addition, studies have revealed that labor standards are being pushed upwards in areas such as wages. Yet, the changing structure of global big businesses in terms of sourcing and purchasing of manufactured products from developing countries is ultimately placing labor standards in danger. We will look further into the organization of the global supply chain of MNCs and its relationship to labor standards in the following section.

The Global Supply Chain

Despite having a positive relationship with labor standards of developing nations, the changing nature of business practices amongst MNCs is putting enormous pressure on the lower end of their global supply chain. As a result, workers in developing nations are adversely affected. Oxfam contends that global big businesses under trade liberalization, freer flow of capital, and new technologies have reinforced their negotiating position with producers. And are thus "powerful gatekeepers between the world's consumers and producers" (Oxfam International, 2004: 4). With a strengthened position, and more aggressive business practices such as pricing strategies and flexibility, MNCs are placing its suppliers under significant stress. Hence, "factory and farm managers typically pass on the costs and risks to the weakest links in the chain: the workers they employ" (Oxfam International, 2004: 5).

The example of new business practices is the just-in-time delivery. Rather than have large inventories of stock, retailers are shifting to the just-in-time practice, where retailers order just enough stock from its suppliers for re-stocking shelves, therefore capitalize on the retail space available. However, suppliers are given shorter lead times to manufacture and deliver the goods. According to the Hong Kong Christian Industrial Commission, the demand placed on suppliers by toy giants Hasbro, McDonald's, Mattel and Disney for any one of their products could have a lead time as short as 1 week (HKCIC, 2001). For example, for the production of an electronic interactive doll, suppliers are given only 1.86 weeks to manufacture and deliver 48,000 pieces to one of the four abovementioned companies (HKCIC, 2001: 14). Ultimately it is the workers that will have to meet the uncompromising demands of the global big businesses, whether it is in the form of overtime or lax workplace safety or both.

Precarious conditions have emerged under such practices that endanger the health and safety of many workers in developing countries. Moroccan workers for producers of the Spanish department store El Corte Inglés are expected to work 12 to 13 hours a day during peak season with many reported to suffer from exhaustion, eyestrain and other health related problems. Labor standards have suffered and will continue do so "until companies recognize that their own sourcing and purchasing practices are one of the root causes of poor labor standards, they will not resolve the problems in their supply chain" (Oxfam International, 2004: 83). Such condemnation is seemingly contradictory to the fact that global big businesses have a positive role to play in the labor standards of developing countries. It would be erroneous to dismiss the claims of the various voices within the debate, as each has its merit. Whether they represent the 'truth' is not the question, but of greater significance is that it shows the improvement of labor standards requires the input and action of various stakeholders. As we have recognized, the global big business is a major player and has shown its ability to improve labor standards in the manufacturing industries of developing nations. Also, what has emerged is the role of the NGO sector, organizations such as Oxfam have shown themselves to be monitors of MNCs' business practices in developing countries. In the next section we will evaluate the rise of NGOs and their part in the improvement of working standards in developing countries.

The Impact of NGOs

The increasing influence of NGOs has proved to be a key force in the process of improving labor standards in developing nations. In this section we will explore the rise of NGOs and examine their function. The adoption of codes of conduct amongst global big businesses indicates a new trend of NGOs and MNCs working together to alter working conditions in developing conditions and we will seek to better understand this relationship.

The Role of NGOs and Collective Activism

NGOs since the early 1990s have played an increasingly prominent part in highlighting the linkages between MNCs and labor standards of developing nations as an issue of concern. In response to the 1990s revelations of MNCs engaging directly or indirectly with "sweatshop" labor, and workers operating in poor working conditions with minimal pay, Western NGOs have campaigned for their abolition. Campaigns were created and targeted at consumers of the West to raise awareness and simultaneously pressuring MNCs to improve business practices in developing nations, especially in the labor-intensive manufacturing industries, where sweatshops tend to proliferate.

One such campaign is the Clean Clothes Campaign (CCC, 2007) established in 1990 in the Netherlands, responding to the poor working conditions of Filipino garment factories producing for a Dutch clothing company. In the 14 years of its inception, the CCC has spread to 10 other European countries, forming a coalition of NGOs and trade unions. Its overarching goal is "improving working conditions in the industry and empowering workers." This is achieved through raising awareness and mobilizing consumers, place pressure on companies to adopt better working practices, solidarity actions and lobbying with possible legal actions. A current campaign attempting to maximize on the international media is the *Play Fair* campaign, targeting sportswear companies and the International Olympic Committee in the run up to the 2004 Olympics (2004, 2007). The Campaign aims to "persuade" the two groups to "take their responsibilities seriously" and "respect workers' rights in the sportswear industry." Such campaigns rarely make a direct impact on the labor conditions of workers' in developing countries. Nonetheless, NGOs do have the ability through its mobilization of consumers and pressuring global companies to come to the negotiation table and accept greater responsibility of labor practices down their global supply chain. In the case of *Play Fair* and numerous other campaigns, sporting giant Puma has taken action after demands from *Play Fair* and consumers to:

1. Share information about its purchasing practice policies with the alliance.
2. Review its methods for worker interviews regarding labor conditions.
3. Share reports of factory investigations with local researchers and workers.
4. Do more work on the issue of trade union rights. Puma foresees discussions about this point with the relevant international union, the International Textile Garment and Leather Workers' Federation (ITGLWF) (Play Fair, 2004).

The collective actions of NGOs have demonstrated that they too have a role to play in the improvement of labor standards for workers in developing nations. Although ultimately, it is the global big business that will determine, set standards and compel their suppliers to follow suit, NGOs have shown that their persistent campaigning is important in the overall process of labor standards transformation. While the *Play Fair* campaign and other similar ones agitate for the "respect" of workers' rights, what must be noted is that labor standards vary across the developing world and it is not one-dimensional. If we considered the differences, the action required will depend largely on each individual nation. In spite of this, we have seen a marked shift in the activities of NGOs from campaigning to one of monitoring and devising codes of conduct in consultation with global big businesses.

Codes of Conduct

NGOs are at the forefront in liaising and working with global big businesses in the drafting and implementing codes of conduct to alter the labor standards of their affiliates and/or suppliers in developing nations. Codes of conducts essentially emerged as a method in which many MNCs have adopted to protect, enhance and improve their image as socially responsible businesses. The surfacing of codes of conduct in the US apparel industry (an industry heavily targeted by NGOs to improve standards) from the mid-1990s is largely tied to the sweatshop revelations. Codes of conduct were created so that companies that were "exposed" could redeem and improve their practices and image in the eyes of the public.

In the case of the US, the US government initiated the White House Apparel Industry Partnership (AIP) involving companies, trade unions, human rights, groups, religious organizations and consumer watchdogs in an effort to improve working conditions in developing countries. The conflicting positions and perspectives of what ought to be included in the code of conduct for the US apparel Industry, resulted in the creation of three different sets of code backed by different groups. The three codes are Worldwide Responsible Production (WRAP), Fair Labor Association Workplace (FLA) and Workers' Rights Consortium (WRC). While all three codes set out similar standards for US apparel companies to implement in their affiliates and supplier factories, there differences lie in the classification of overtime or living wage, amongst other discrepancies. The FLA for example sets out in its code for big businesses to pay workers a minimum wage or the industrial wage whichever is the highest. And workers must not work in excess of 60 hours, including 12 hours of overtime or the legal maximum of the country. However, in general the majority of codes of conduct adhere to all or most of ILO's core labor standards.

One of the major criticisms of these codes of conduct is the manner in which it was formulated to begin with. Kwan and Frost argue:

> Codes of conduct are not formulated, implemented and monitored by the people they are designed to protect. Codes are made elsewhere (in America or Europe), and have little relevance to workers (even if they are aware of them) (Kwan and Frost, 2002: 133).

Despite the criticisms, we cannot deny the valuable role of NGOs in seeking and promoting labor standards in developing countries, by acting as monitors of MNCs' practices. Global big businesses may be the most likely and realistic choice in changing the labor conditions of developing countries, within their area of operation. But as we have seen with the role of NGOs, labor standards improvement is a joint process. Nevertheless, this is not to deny the role of national governments, they too must contribute to bringing the overall standards higher.

Trade Agreements and the South

Governments of the South have long opposed the intentions of Northern governments and/or organizations incorporating a set of labor standards to trade agreements. Nations such as US, some members of the EU, Canada and Japan have advocated for the integration of core labor standards and trade sanctions into new trade agreements. These intentions were made explicit in the 1996 World Trade Organization (WTO) Singapore Ministerial Meeting and the 1999 WTO Seattle Ministerial Conference. Developing nations vehemently objected to any notion of implementing labor standard conditions into international trade agreements, and claimed that it was overloaded with imperialism from the North.[2] Labor markets and standards as we have mentioned in section four vary across developing nations.

To further explore this idea, Singh and Zammit argue that the segmentation of developing nations' labor markets makes the wholesale adoption of CLS economically unworkable. In the mid-1990s, approximately 15 percent of the labor force in developing countries were formally employed, therefore only this portion could effectively see a realization of CLS. The remainder of the workforce was involved in agriculture or urban informal employment (Singh and Zammit, 2003: 12). Rather than force CLS upon all developing countries through international trade agreements with the potential of hurting their economies, standards will progress in line with economic and social development. Also, if we considered the development paths of the US and Western Europe, history shows that as real incomes moved up, working conditions improved too. Achievements in these nations were not made by economic growth alone but with government and broad based public support. We do not even have to look that far back into history. The development experience of the East Asian nations, including Taiwan and South Korea provides evidence that with a strong government in promoting economic and social development, labor standards will improve. The formation of unions and a high percentage of the workforce unionized is indicative of this. Trade unions were banned in the early stages of the Taiwan’s and South Korea’s industrialization. However, since the 1980s, 40 and 17.2 percent of Taiwanese and South Korean workers respectively, participated in trade unions. Whilst global big businesses offer new opportunities to promote growth and development, governments of developing nations will essentially need to invest in infrastructure and human development in the hopes of attracting foreign investment, and in the long run sustaining the development. As Stern concludes with accuracy:

> In the final analysis, there is pervasive historical evidence suggesting that as developing countries achieve higher levels of per capita incomes and in the process institute pro-active social policies, conditions of work and workers’ rights can be significantly improved (Stern, 2003: 21).

The China Case

China’s embrace of globalization as seen in its succession to the World Trade Organization and the flood of foreign direct investment into various sectors of China’s economy has generated both concern and optimism for those working in the most labor intensive industries. However, China’s acceptance of globalization and of labor standards that are seen as a detriment to its own workers, has affected the living standards of those beyond its borders. This section will consider the impact of China’s globalization on an international scale as this will provide a holistic outlook, as talk of labor standards is often distorted. Nonetheless, in looking at China’s labor standards the role of the trade union, namely the All-China Federation of Trade Unions is vital if attention is to shift to improving standards. A recounting of grim working conditions in China’s manufacturing industry is not the goal of this section rather the focus ought to be on assessing the primary stakeholders and their potential for invoking change.

China’s economic openness has drawn substantial praise. Observers such as Overholt in his address to the US-China Economic and Security Review Commission in 2005 extolled in China’s economic policies: “China has come to believe in globalization more than most third world countries and many first world countries” (Overhold, 2005: 6). Further praise is lavished on to China by China’s own: “The success of the open door policy has boosted Chinese people’s self-confidence, and has also established a liberal thinking in the country” (Zhiqiang). This openness has seen China's international trade expand by sixteen times in the last twenty years and has led it to become the sixth largest economy by 2003. Numbers and figures are a plenty in support of China's economic success. Despite the positive impacts on China's economy, China's economic policies have had significant effects on its trading partners. China's demand for raw materials in its economic development has helped the economies of resource rich countries. Brazilian and Chinese trade has increased by three times since 2000, and this has proved beneficial particularly for the steel, iron ore and soybeans sector (Blàzque-Lidoy *et al.*, 2006). The ability of China to produce basic consumer goods cheaply has assisted the raising of living standards for poorer Americans. The availability of such goods has helped lower-income Americans improve their living standards from 5 to 10 percent (Overhold, 2005: 10).

Notwithstanding the benefits of China's economic development for its trading partners, there is significant fear amongst many nations of China taking away job sand investment opportunities from other developing and developed nations because of the cheaper labor costs. A recent article in the German magazine, *Spiegel* warned its readers of Chinese workers taking away Western manufacturing jobs:

> The abundance of cheap goods "Made in China" may well quicken the pulses of Western bargain hunters. But few consumers are aware of the price they will pay for this windfall: the loss of their own prosperity and, increasingly, of their own jobs (Lorenz and Wagner, 2005).

Indeed, China's economic openness has created greater wealth for the country and for its citizens as whole, but the standards in which Chinese workers face in the manufacturing industry should raise concerns. Big businesses may be labeled as ruthless exploiters in search of a greater profit margin by cutting costs in the provision of better working conditions; however, it is the endless drive for investment by Chinese local authorities that has led to a neglect of safe working standards. Local officials fear that any attempts to ensure the safety of workers would drive away potential investment. The most exploitative management practices found today are in the small to medium size private or collectively owned enterprises. Multinational companies such as Reebok are often at the forefront in promoting better working standards in factories supplying their products. Kong Tai Shoes (KTS), the sole supplier of shoes to Reebok has had elections for its factory trade union representatives since 2001. Workers in the KTS factory have been unionized since 1997. Despite the success of such initiatives for the workers of KTS, it only evolved after hard long negotiations with the KTS management and pressure from Reebok. The reputation and image of such firms as Reebok is important in order to ensure sustained profits and a loyal customer base, thus such actions are needed to maintain its profile. As with the Reebok case, we see global firms as playing a crucial role in advocating and enforcing better conditions in their supplier factories. Campaigns for better labor standards thus should not only focus on global big businesses but also the small to medium enterprises.

Although the All-China Federation of Trade Unions (ACFTU) is meant to represent Chinese workers, its cooptation by the state has meant little effectiveness in terms of advocating for its members. The ACFTU has been accused of sympathizing with management practices of abusing workers' rights. The lack of ACFTU representation for workers during strikes[3] or unrest is concerning, no matter how legitimate workers' claims might be. The Hong Kong based China Labor Bulletin is particularly critical of the ACFTU's passive nature: "getting workers back to work as soon as possible, regardless of whether or not their demands have been met … the organization has always been at its most effective at wrecking workers' independent struggles" (cited in ASRIA, 2002: 7). Facing a membership crisis in late 1990s, ACFTU tried to restructure itself and re-establish its presence by having branches in enterprises of the booming private sector. However, the resistance of the local governments made this mission very difficult for fear that it might deter foreign investment. As a result, less than 30 percent of foreign owned factories in Guangdong have an ACFTU representative (Richards, 2004). Unable to collectively bargain and with little representation from a docile ACFTU, China's workers from the rural regions are no longer flooding into southern provinces such as Guangdong as previously in search of work, many have chosen Shanghai, where the wages and working conditions are slightly better. It is estimated that 100,000 low-wage workers are required in China's southern export regions to fulfill demands (Lorenz and Wagner, 2005). According to Chan, this can still be considered as a workers' initiative in protest against the conditions:

> The rural population of China, without organizing themselves, are engaging in a form of spontaneous collective action and initiating changes in China's macro-labor market. In this sense, from the poor work conditions, something positive is being generated (Chan, 2006).

Nonetheless, the need for a more active ACFTU is essential if the long term goal is to promote better working conditions in the manufacturing industry. The ACFTU as the only legal body that represents some 103 million members in more than 586,000 primary trade union organizations, it has the potential force to start advocating on behalf of its members for basic conditions such as the payment of severance wages. Yet another factor in this situation is the desire and drive of local authorities. The willingness of ACFTU to establish branches in foreign owned factories is thwarted by local governments. The contestation of interests between various government institutions is one that will be difficult to resolve. In spite of this, the ACFTU along with multinational firms can play an effective role in the process of improving labor standards.

Conclusion

Global big businesses are a powerful force in improving the labor standards of developing nations. However, their influence is largely limited to the area of their operation, thus the effect on the overall standards of the nation will only be minimal. As we have seen, the role of NGOs are equally important as they have established themselves as monitors of MNCs and their business practices in developing countries. Notwithstanding, it would appear that economic growth is essential in propelling the economies of developing countries and in due course, effective labor standards. By investing in sound national economic and social policies that create viable infrastructure and human capital, global big businesses and their investments will follow suit. But is it really about economic growth and foreign investment? Are these really the definitive factors in inducing better labor standards? Paul Krugman (1997) seems to think so: "bad jobs at bad wages are better than no jobs at all." While this maybe the crude truth, is it morally acceptable? Marx and Engels over 150 years ago wrote with such poignancy and foresight:

> These laborers (those who worked in the factories of the bourgeoisie), who must sell themselves piecemeal, are a commodity, like every other article of commerce, and are consequently exposed to all the vicissitudes of competition, to all the fluctuations of the market (Marx and Engels, 1985: 87).

The reality of their times, the 1850s, still holds true for today. This paper has attempted to illustrate that global big businesses have a central and powerful role to play in improving labor standards. However, whether global big businesses are good for the development of developing nations is another question. If we believe in an ethical course of development, transformation of labor standards will require the joint effort of all relevant stakeholders, national governments, global big businesses, domestic producers, NGOs and the workers.

Notes

1. The UN has referred to the core labor standards in various conventions, including the *UN Convention on the Rights of the Child*. War on Want is adamant that core labor standards are inalienable rights, which all workers should enjoy by virtue of being human beings.
2. An interesting note to point out is that the US has used its Constitution to justify its non-signatory status on major ILO Conventions, as it claims that the Constitution protects the rights and freedoms of all American workers.
3. Workers' activism and strikes are prohibited by law.

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