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**TRANSNATIONAL CORPORATIONS, CORPORATE
BEHAVIOUR AND CORPORATE SOCIAL RESPONSIBILITY
AND THEIR ROLES IN DETERMINING LABOUR CONDITIONS
IN DEVELOPING COUNTRIES - A CASE STUDY OF THE
LABOUR CONDITIONS EXPERIENCED BY NIKE CONTRACT
WORKERS IN VIET NAM.**

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ABSTRACT

The role and responsibility of Transnational Corporations (TNCs) in determining labour conditions for developing country workers has been the topic of much debate, usually between corporations and social justice activists.

The low cost/sweatshop labour debate is complex as a range of TNCs and labour conditions exist, offering an array of positive and negative contributions to labour conditions and development in developing countries. Developmental TNCs offer good work options to developing country workers, while also positively contributing to the development of its host country economies. TNCs can also act as positive role models for other industries and enterprises by offering superior labour conditions to domestic enterprises. Additionally, TNCs may offer education or developmental experiences to workers and utilise fair or ethical trading practices.

In contrast, TNCs may also act in non-development ways. For example, many TNC sub-contracted factories are sweatshops, offering deplorable wages and working conditions, exploitation and human rights abuses. Moreover, some TNC factories do not offer positive spillovers to developing countries and furthermore, there are often detrimental impacts when developing nations are forcibly integrated into the global economy.

It is important to make the distinction between core labour standards (international human rights and labour law) and corporate social responsibility (CSR) (moral and ethical judgements on how corporations should behave). CSR requirements are difficult to define and are not based in law. Nonetheless, increasing public expectations and the success of non-government organisation campaigns, have meant that CSR requirements are what the public expects of TNCs.

Nike contributes to Vietnamese labour conditions and development through the creation of thousands of factory jobs and through FDI and its spillover effects. The

Ministry of Labour comments that foreign TNCs and Nike frequently offer superior labour conditions to those of domestic enterprises. Yet, there are still many concerns with health and safety, wages and hours of work and human rights abuses in Nike contract factories.

Nike argues that there are many external factors, which determine global labour conditions (for example, globalisation, free trade and neo-liberalism). Yet, TNCs have a great deal of influence on the global environment and overall, it is TNCs that determine the labour standards of developing country contract workers. Furthermore, there is significant potential for TNCs to meet core labour standards and CSR requirements.

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This thesis does not reflect the opinion of any other person and the final responsibility for the content of this thesis rests with me alone.

ABBREVIATIONS

\$	United States dollar
ASEAN	Association of Southeast Asian Nations
BWI	Bretton Woods Institution
CEO	Chief Executive Officer
COC	Code of Conduct
CSR	Corporate social responsibility
DFI	Direct Foreign Investment
EPZ	Export Processing Zone
FLA	Fair Labor Association
FDI	Foreign Direct Investment
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GNP	Gross National Product
HCMC	Ho Chi Minh City
HDI	Human Development Index
ILO	International Labour Organisation
IMF	International Monetary Fund
IPPF	International Planned Parenthood Federation
ITO	International Trade Organisation
MNC	Multinational corporation
MNE	Multinational enterprise
NAFTA	North American Free Trade Agreement
NCSSH	National Centre for Social Sciences and Humanities
NIEs	Newly Industrialised Economies
NGO	Non-government organisation
Nike	Nike Incorporated
OECD	Organisation for Economic Co-operation and Development
PDA	Population and Community Development Association
PPP	Purchasing Power Parity

PR	Public relations
SAP	Structural Adjustment Programme
SOE	State owned enterprise
TBIRD	Thai Business Initiative in Rural Development
TNC	Transnational corporation
TRIMs	Trade Related Investment Measures (WTO)
UDHR	Universal Declaration of Human Rights
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNCTC	United Nations Centre on Transnational Corporations
UNDP	United Nations Development Programme
UK	United Kingdom
UNFPA	United Nations Population Fund
US	United States
WTO	World Trade Organisation

CHAPTER I: INTRODUCTION

“Nike, the company that pioneered the business philosophy of no-limits spending on branding, coupled with a near-total divestment of the contract workers that make its shoes in tucked-away factories...has become a prototype for the product-free brand. Inspired by the swoosh’s staggering success, many more traditionally run companies (“vertically integrated,” as the phrase goes) are busy imitating Nike’s model” (Klein 2001:197-8).

1.1. Introduction.

This dissertation explores the role of transnational corporations (TNCs) in determining labour conditions in developing countries by using a case study of TNC, Nike Incorporated (Nike), and the labour conditions provided to its contract workers in Viet Nam.

Debate about TNCs and labour conditions is complex, as there are many types of corporations and corporate behaviours, and consequently, much variation in the labour conditions experienced by employees in developing countries.

Current corporate behaviours, affecting labour conditions in developing countries include the utilisation of transformed production technologies and the outsourcing of production to developing countries to take advantage of low labour costs. The outsourcing of manufacturing has a range of impacts for labour conditions in developing countries. Positive impacts include the creation of new work options for hundreds of thousands of citizens and negative impacts often include poor labour conditions and abuses of human and labour rights.

Corporate behaviour also has a range of contributions to development in developing countries. Positive contributions include increased foreign direct investment (FDI) and

its spillover benefits such as technology, infrastructure and human resource development. Negative contributions include the forced integration of developing countries into the global economy and the displacement of local livelihoods, as a result of increased TNC competition within host country economies.

Corporate behaviour affecting labour conditions in developing countries is determined by myriad environmental factors. Internal environmental factors include corporate goals, ethics, organisational culture and corporate politicising. External environmental factors include national and international competition, government policy, international economic regimes, foreign policy agendas, international institutions and agreements and core labour standards.

The corporate social responsibility (CSR) and anti-sweatshop movements have been key in challenging TNC behaviours, with their insistence on the provision of core labour standards for workers in developing countries. In response to public controversies about labour conditions, some TNCs have formulated CSR strategies and voluntary Codes of Conduct (COCs).

In the case study of labour conditions of Nike contract workers in Viet Nam, I describe the labour conditions – wages, hours and days of work and health and safety standards – in Viet Nam's Nike contract factories, in order to make conclusions about Nike's adherence to core labour rights and CSR. Throughout the case study, I also describe how Nike contributes negatively and positively to labour conditions and development within Viet Nam.

1.2. Thesis Outline.

This dissertation consists of six chapters as follows:

Chapter I: Introduction.

This chapter outlines the motivation for this research and outlines both the structure of the dissertation, as well as method and constraints. This chapter also gives an introduction to development models.

Chapter II: Transnational Corporations, Corporate Behaviour and Development.

This chapter discusses the variation in TNCs and their behaviours, and examines the positive and negative contributions of TNCs to labour conditions in developing countries. I also discuss the negative and positive impacts of TNC behaviours in developing countries.

Chapter III: The Environments in which Transnational Corporations Operate.

This chapter examines the internal and external environmental factors, which shape and determine TNC behaviour. Within external environmental factors, I discuss core labour standards and their regulation, followed by a discussion and background of CSR.

Chapter IV: Case Study – Viet Nam – Socio-Economic Development and the Garment Industry.

This chapter describes Viet Nam's economic and social development levels, garment industry and labour conditions, in order to provide a context for the following chapter, which focuses on labour conditions of Nike contract workers in Viet Nam.

Chapter V: Case Study - Labour Conditions Experienced by Nike Contract Workers in Viet Nam.

This chapter examines Nike and its operations in Viet Nam. I outline the controversies with Nike and link these to core labour standards and CSR, using examples from Nike's operations in Viet Nam. This provides a detailed analysis of Nike's role in determining labour standards within Nike contract factories in Viet Nam.

Chapter VI: Conclusion.

In this chapter, I summarise the conclusions made throughout the dissertation and highlight the issues and themes arising throughout the chapters.

The research method used in this thesis is primarily, a literature review in conjunction with one interview with an official from the Department of Labour, Invalids and Social Policy (Ministry of Labour) in Viet Nam. Unfortunately, I was not able to interview anyone working in Vietnamese non-government organisations (NGOs), specialising in sweatshop or Nike issues.

In chapters II and III, a literature review provides an overview of the key issues associated with TNCs, corporate behaviour, determinants of corporate behaviour, CSR and core labour standards.

In chapters IV and V, a literature review provides the foundation for the case study, providing background on Viet Nam, FDI, the garment industry and Nike's role in determining labour conditions of contract workers in Viet Nam.

Throughout the dissertation, examples and case studies are used to support the discussion of the role of TNCs in determining labour conditions in developing countries.

The literature and resources used to analyse labour conditions in Viet Nam, come predominately from the United Nations Development Programme (UNDP), Phan Thi Thanh, Director, Ministry of Labour, Affairs, General Statistics Office (GSO) and the National Centre for Social Sciences and Humanities (NCSSH) in Viet Nam.

The majority of information on Nike and the labour conditions in its Vietnamese contract factories, comes via research published on the Internet, by Nike and anti-sweatshop organisations, such as Vietnam Labor Watch, Oxfam Community Aid Abroad and the Clean Clothes Campaign.

I now provide a background to development, in order to provide a context for discussion in the following chapters on labour rights and development.

1.3. Development Models.

The rationale for development assistance or aid to developing countries lies in a mixture of social responsibility, ethics and economic and geo-political considerations. Though changing over time, the western model of aid and development aims to create capability and economic self-reliance, eliminate poverty and meet the basic needs - decent livelihoods, health, education, housing, food and water - of the earth's population (Korten 1995:4,171 and McMichael 2000:272).

However, development policy and practice have evolved over time, through the influence of international economic and foreign policy agendas.¹ Current development models now reflect the enforcement of neo-liberal economic theory, globalisation, free trade² and corporate involvement in public policy. These economic paradigms are seen as the answer to underdevelopment, poverty, income inequity and economic problems,

¹ The rationale for development changed in the 1980s as geopolitics in terms of super-power rivalry lost its prevalence as the most compelling reason for the industrialised world to assist third world countries. The developed world progressively retreated from material diplomacy with a corresponding growth in aid fatigue and protectionism in the north, directed against the south (Roy 1999:2,12).

² Neo-liberalism, globalisation and free trade are discussed in Chapter III.

and are now understood by many, as development (McMichael 2000:277 and Wallach and Sforza 2000:63).

Over four billion people, three quarters of all humanity, live in third world countries. The common feature of the developing world lies in its shared history of colonial bondage. Historically, the developed world has exploited the third world's natural and human resources for its benefit, while neglecting the development of its colonial citizens (Korton 1995:252 and Roy 1999:6-7). Thus, the third world has always existed for the comfort of the first world and western consumers have profited from this global division of labour (Klein 2001:xviii).

The third world embraced development to secure their independence from colonialism and to meet rising expectations of material betterment. Yet, the third world has continued to underdevelop and exists at the periphery of developed countries. In many countries, the political costs of development have led to the loss of freedom, repression and civil war. Today, most of the hunger related deaths occur in the third world, avoidable when the world produces enough food to feed everyone. Furthermore, developing countries have largely been bypassed by modern industrial and technological advances. Instead, these countries share poverty, low productivity, population growth, unemployment, dependence and international vulnerability (Roy 1999:7-8).

Economic growth can not by itself end poverty and the assumption that wealth will 'trickle down' to the poor has not been accurate, especially amongst the poorest countries and people. Instead, ending extreme poverty requires commitments and actions to poverty eradication, not economic growth (United Nations Population Fund (UNFPA) 2002:14). Most significantly, in the name of economic growth and neo-liberalism, major international economic agencies, the World Bank and the International Monetary Fund (IMF) instituted structural adjustment programmes (SAPs) - harsh austerity measures on third world countries. The social costs of these economic policies have been severe, weakening the social fabric and creating

dependence on financial aid. Thus, economic growth has not succeeded in growing the world out of poverty or increasing third world living conditions (Korten 1995).

Economic growth is not a realistic indicator for development progress, as only a small percentage ever receive its benefits, while the majority continue to suffer decreasing standards of living. In fact, despite 50 years of de-colonisation and attempted development, the divisions between the first and third worlds are further widening, as growth and marginalisation occur simultaneously for different populations (Korten 1995:6-25 and Roy 1999:100-102). Today, 89 states are worse off now than they were 10 years ago and the income gap between the world's rich and poor has accelerated and is now twice as great as 30 years ago (McMichael 2000:214, Ross 1997:9 and Roy 1999:6,100). Current development models thus do not reflect the real interests of the poor and much of past development has been a failure for developing countries (Roy 1999:13).

Furthermore, serious questioning is required of the lifestyles of the rich, being imposed as a paradigm of development and progress (Roy 1999:102). Economic development creates expectations of increased consumption and whole industries exist to market insatiable desires and unsustainable consumption (for example, marketing AVON cosmetics in the Amazon). Foreign aid becomes anti-developmental when used to foster dependence on an unsustainable consumer lifestyle (Korten 1995:150-171).

In this chapter, I have provided an introduction to the dissertation and to development models. In Chapter II, I discuss current TNC behaviours affecting labour conditions in developing countries.