Multinational Corporations and Economic Inequality in the Global South: Causes, Consequences, and Countermeasures

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Abstract

This paper explores the debate on MNCs and inequality. It argues that, due to inherent power imbalances in global supply chains, the benefits of MNC-driven growth accumulate to those firms at the top of supply chains at the expense of workers at the bottom, which disproportionately include women and migrant workers. The paper also provides data on shifts in MNCs' investment dynamics and patterns of inequality, and it explores the global apparel industries in Bangladesh and Honduras as important examples of the distributional consequences of MNCs. The paper then examines countermeasures, including domestic and transnational labour organizing strategies that have begun to address these patterns of inequality and exclusion.

Multinational Corporations (MNCs) have increasingly linked countries of the Global South to global markets through a complex mix of intra- and inter-organizational networks. For some, they hold the promise of providing host countries with new opportunities to accelerate growth and development. Yet, as will be illustrated in this paper, MNCs also pose challenges to, and impose constraints on economic management. Most notably, the distribution of gains is often not fair, in particular for workers at the bottom of MNC supply chains relative to those at the top of the lead firms.

The MNC-led growth model, which most often takes the form of considerable tax and tariff breaks, raises the question as to whether workers in MNCs might even under some circumstances earn less than they might otherwise had tax and other incentives been used to favour local businesses over foreign investors. Hence, the most relevant question --and the one that relates to the theme of this conference-- is how the gains from MNC investment are

distributed. As Amarty Sen eloquently has argued, "even if the poor were to get just a little richer, this would not necessarily imply that [they] were getting a fair share of the potentially vast benefits of global economic interrelations" (Sen 2002: 5). Indeed, this paper argues that recent MNC-led economic integration often has increased inequality.

This paper first provides an overview of MNCs and explores the debate on MNCs and inequality. In the section that follows, we provide global data on shifts in MNCs' investment dynamics and patterns of inequality. The paper then provides a general overview of current arguments and evidence on the dynamics of MNC investment in the Global South and its causal links to inequality. Next we draw on the global apparel industries in Bangladesh and Honduras as important examples of the distributional consequences of MNCs operating in buyer-driven global supply chains, and examine countermeasures, including domestic and transnational labour strategies.

MNCs and the Inequality Debate

The relationship between multinational investment and inequality has often been portrayed as paradoxical and inconclusive. Some scholars have suggested that, depending on regions and/or the level of development, increasing foreign direct investment (FDI) flow may reduce income inequality (Chintrakarn, Herzer, and Nunnenkamp 2010; Figini and Gorg 2006; Pan-Long 1995). A number of other studies, however, demonstrates that FDI inflows in general are conducive to higher levels of income inequality (Basu and Guariglia 2007; te Velde 2003). This view is reflected in the 'race to the bottom' argument, which sees capital increasingly able to play workers, communities, and states off against one another, as it demands tax, regulation, and wage concessions (Barnet and Müller 1974). In contrast, 'the climb to the top' view argues that conditions such as direct ownership by MNCs of their suppliers and competition induce countries to provide high skill workers and quality infrastructure (Mosley 2011).

The view that we present here acknowledges the complexities in MNCs structures and dynamics, and their potential role in transferring knowledge and upgrading productive structures. However, without proper state policies, and strong local and international labour union organizing, bargaining and leveraging through strike actions, MNCs may create jobs in the Global South, but the benefits they generate will not be equitably distributed along global supply chains. Due to inherent power imbalances in the relationship between lead firms and their

suppliers, and between suppliers and their workers, the benefits of MNC-driven growth accumulates to those at the top of the supply chains at the expense of those at the bottom--which disproportionately include women, migrant workers, and other sectors of society that have faced historic exclusion.

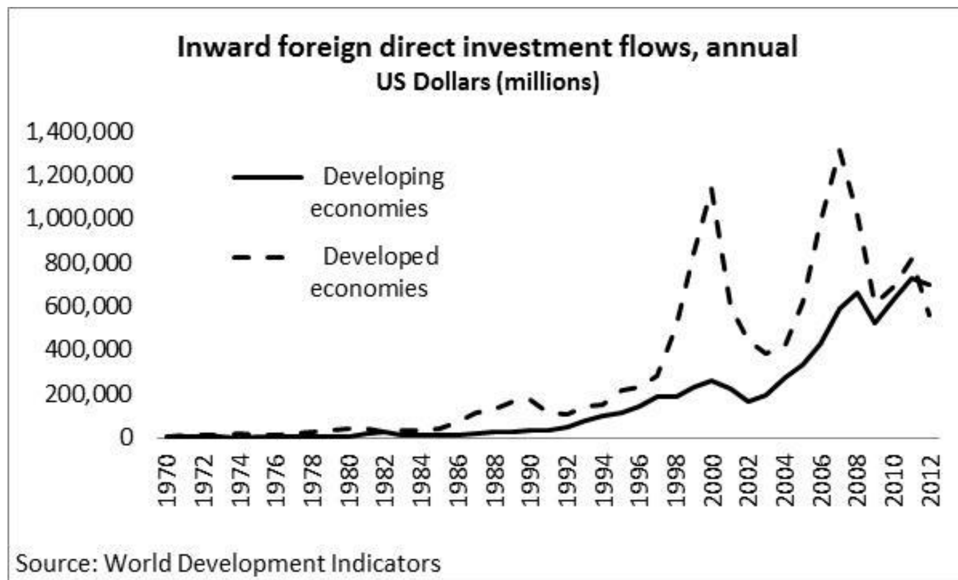
MNCs and the Global South

Where there is little debate in the literature concerns the predominance of MNCs in the Global South; they have grown exponentially in recent decades. In 1998, there were approximately 63,459 MNCs that owned a total of 689,520 foreign affiliates (UNCTAD 2000). A decade later, 82,000 MNCs controlled around 810,000 foreign affiliates (UNCTAD 2009). The number of people employed in these affiliates rose substantially too, from approximately 21 million in 1990 to 72 million in 2012. Approximately 425,000 of these affiliates are located in countries of the Global South. Together, parent firms and their foreign affiliates produce about 25 per cent of world gross domestic product. Value added trade contributes at least 30 per cent to Global South countries' GDP on average, as compared to 18 per cent in developed countries (UNCTAD 2013).

The patterns of value added trade in global value chains are shaped to a significant extent by the investment decisions of multinationals. As such, multinationals with cross-border trade of inputs and outputs that take place within their networks of affiliates, contractual partners and arm's-length suppliers coordinate the global supply chain; this currently accounts for some 80 per cent of global trade in terms of gross exports (UNCTAD 2013). An estimated 35% of world trade takes place within MNCs (intra-firm trade).

Foreign Direct Investment (FDI) is the mechanism through which MNCs establish affiliates abroad and acquire or merge with existing firms located abroad. The last decade was characterized by record global FDI inflows, with sharp fluctuations. In 2007, global flows reached close to USD 2 trillion, and currently amount to around USD 1.35 trillion. UNCTAD forecasts the FDI flows in 2013 to remain close to the 2012 level, with an upper range of USD 1.45 trillion. While developed countries historically have accounted for the vast majority of FDI inflows, by 2012 for the first time, the value of FDI in developing economies surpassed that of developed economies, with FDI flows to the Global South reaching over USD 700 billion. [See Figure 1.]

Figure 1



MNCs and Inequality Dynamics

Inherent in most global supply chains are powerful imbalances between lead firms and their suppliers. Economists refer to this as supply chain monopsony, where a buyer can dictate production contract terms to multiple suppliers much in the way a monopolistic firm controls the price of goods for a large number of consumers. Since, for example, tens of thousands of suppliers compete for a contract with a major buyer such as Wal-Mart, Wal-Mart is largely able to set the price of production contracts for suppliers.

Figure 2

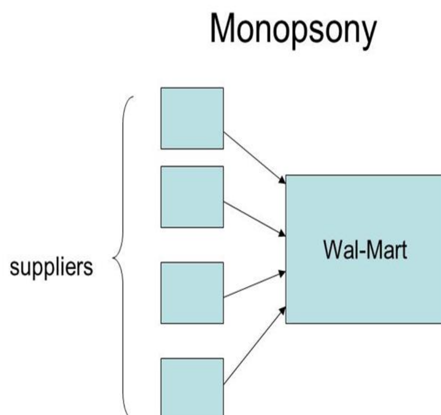
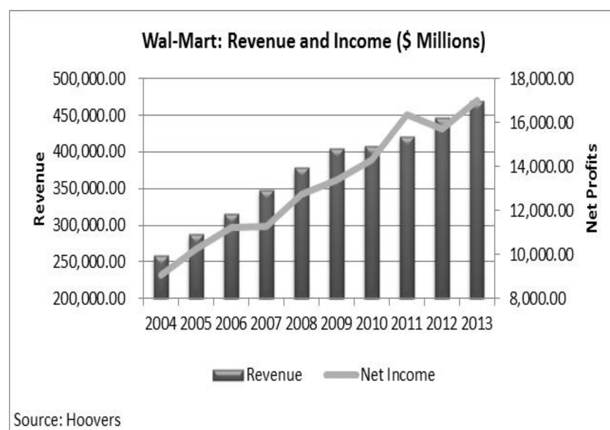


Figure 3



This allows Wal-Mart to accumulate significant profits while suppliers are forced to look for numerous ways to keep costs down to remain economically active, which often includes keeping wages low and unions out (Anner 2011a). Wal-Mart's monopsony power allowed it to bring in over USD 450 billion in revenue and almost USD 17 billion in profits in 2012. In 2009, during the worst economic recession in a generation, Wal-Mart's global supply chain structure permitted the retail giant to continue to increase its revenues and profits. [See Figures 2 & 3.]

Two additional examples help to illustrate the power imbalance within MNC controlled supply chains and the impact on inequality. In the electronics sector it is sometimes argued that the power imbalance between suppliers and lead firms is not as significant as is suggested by critics (Locke, Amengual, and Mangla 2009). For example, while Apple had revenue of USD 108.30 billion in 2011, its main supplier, Foxconn, had revenue of USD 111.10 billion. Yet, subsequent research on gross profits reveals the true nature of the power imbalance. Apple's gross profits in 2011 were USD 43.80 billion compared to USD 2.20 billion for Foxconn (Locke 2013). That is, while Apple's revenue was less than Foxconn's revenue, its profits were approximately 20 times greater.

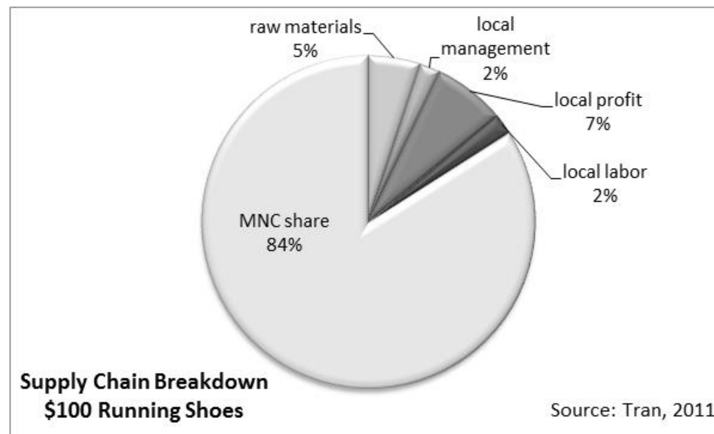
Table 1 Revenue and profits of Buyers and Suppliers

	Revenue (Billions)	Gross Profts
Buyer		
HP	$127.20	$29.70
Apple	$108.30	$43.80
Supplier		
Foxconn	$111.10	$2.20
Flextronics	$30.30	$1.60

Source: Locke 2013; data correspond to 2011

In the running shoe industry, the impact of supply chain power imbalances can also be seen. For running shoes that sell for USD 100, the MNC share is USD 84 while labour in the shoe assembly plant receives USD 2. Other segments of the supply chain take the remaining USD 14 in value. Undoubtedly, costs for product design, advertising, and distribution are included in the USD 84 share that goes to the lead firm. Yet, even while accounting for these expenses, Nike, for example, took in close to USD 2.5 billion in net profits in the fiscal year ending in May 2013. [See Figure 4.]

Figure 4



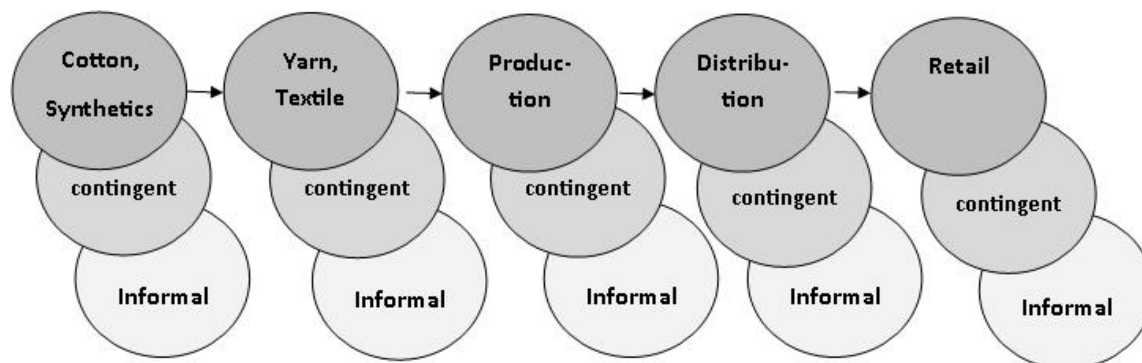
Multinationals and Apparel Sector

The global apparel industry represents a case of a 'buyer-driven' global supply chain in that brands and retailers have the most significant control over supply chains dynamics (Gereffi 1994). In this supply chain, six distinct value-added activities include: (1) research and new product development (R&D); (2) design; (3) production; (4) logistics (purchasing and distribution); (5) marketing and branding, and (6) services. The most important value-added stages are intangible services that occur before and after the apparel production process; the most profits result not from production, but rather from high-value research, design, sales, and marketing (Gereffi and Memedovic 2003). This implies that the greatest gains are not shared with the workforce engaged in production and assembly units in the countries of Global South. Indeed, labour costs are the most significant factor in the apparel industries—the income disparity is considerable and appears to be growing.

What is also notable about supply chains is that, if we look more deeply at employment relations dynamics at each segment, we can find core, contingent and informal workers. For example, in cotton (as in much of agriculture), there are permanent workers who work and maintain the field, contingent workers who are employed seasonally, and informal (or undocumented) workers, including child labourers. Similarly in the production realm, there are core workers employed by the principal contractor, contingent workers employed either temporarily or are employed by an unauthorized sub-contractor, and there are informal workers which may include homeworkers. And in retail, there are permanent retail store workers,

growing numbers of part-time and temporary retail store workers, and there are informal sector workers who sell apparel in unauthorized shops or as street vendors. [See Figure 5.]

Figure 5: Embedded Employment Relation Dynamics in Value Chains



Honduras: The Impact of MNC Apparel Investment on Inequality

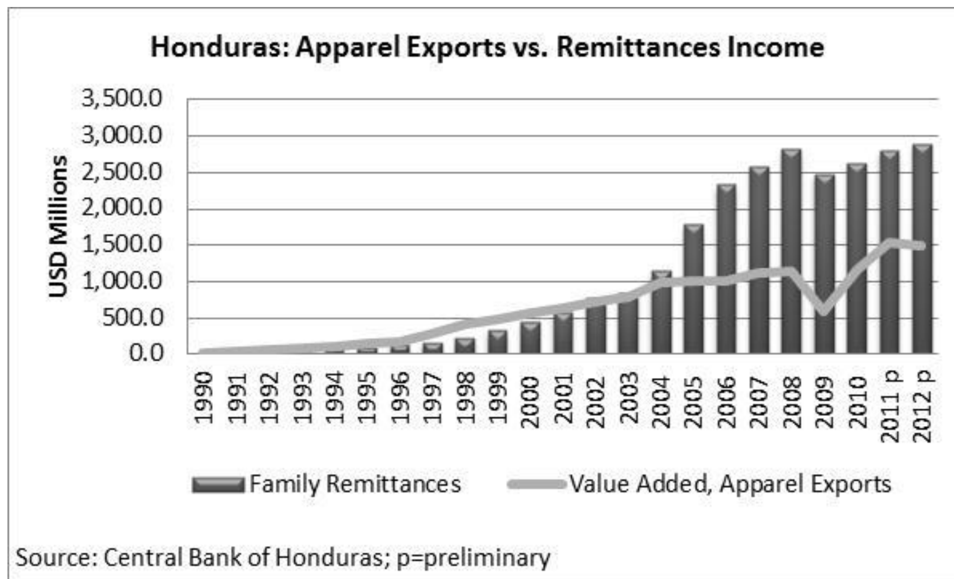
Like many small developing countries, Honduras sought economic development through the promotion of Export Processing Zones (EPZs) largely dedicated to apparel exports for the US market. And while in the 1980s civil wars in El Salvador, Nicaragua, and Guatemala kept most investors away, EPZ production boomed in Honduras partly due to the absence of a full-scale war, and because infrastructural advantages, such as good highways and a deep water port, also facilitated FDI growth. By the late 1990s, the value added from EPZ sector exports surpassed the combined value of coffee and banana exports, Honduras' most important products for overseas markets for the previous century. And by 2008, Honduras apparel exports to the US market had surpassed those of all other countries in Latin America, including Mexico.

The question is whether this multi-decade endeavour to promote MNCs' investment through millions of dollars in tax breaks, low interest loans, and tariff waivers contributed to development by increasing the income of the poor and by lowering inequality. Looking first at national poverty rates, we find the percentage of the population living on less than USD 2 per day did indeed drop from 47.7 per cent in the 1990s to 35.5 per cent in the 2000s.[1] But if we look at value added in the EPZ sector from the 1990s to 2012, we see the most significant growth in the 1990s, and then considerable volatility and a lower rate of growth in the 2000s. Where

[1] 2005 international prices.

growth was far steadier and considerably more significant was in family remittances, particular in the 2000s, the period in which poverty declined. Remittances are funds received by Hondurans from family members living outside the country, mostly in the US. [See Figure 6.]

Figure 6

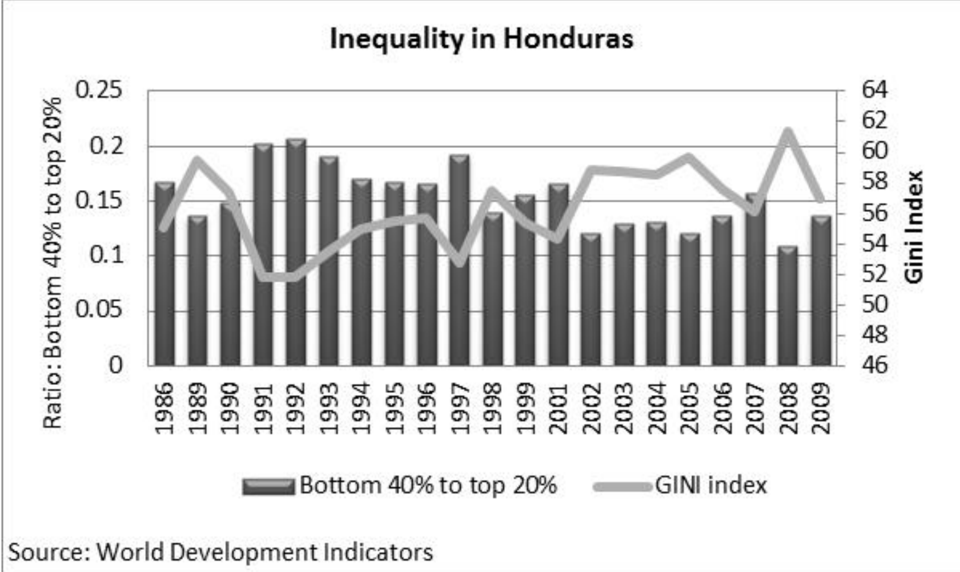


Some 493,000 adult immigrants in the United States sent on average USD 5,231 to Honduras in 2012, which accounted for 15.7 per cent of GDP (Cohn, Gonzalez-Barrera, and Cuddington 2013). In contrast, in 2011 some 118,000 apparel export workers earned on average in straight wages USD 2,949 per year. These wages declined in real dollar terms over the course of the 2000s by 8.76 per cent and only covered 47 per cent of basic living expenses (WRC 2013). That is, migrants contributed 6.4 times more to Honduran family income than apparel workers, and remittances were distributed to a far greater number of Honduran families than apparel wages were distribution to Honduran families. Hence, what this data suggests is that the reduction in poverty in Honduras in the first decade of the 21st Century is far more tied to remittances than to MNC investment.

Turning to the issue of inequality, if we look first at the most traditional indicator of inequality, the Gini Index, we see a rise from .546 to .580. This suggests that inequality is growing. Using another measure of inequality, we took the share of all income received by the

lower 40 per cent of the society as a ratio of the share received by the upper 20 per cent. Here we see the bottom 40 per cent receiving an average of 17.33 per cent of what the top 20 per cent received in the 1990s. In the 2000s, the bottom 40 per cent received an average of only 13.36 per cent of what the top 20 per cent took home. Put differently, the top 20 per cent took home 5.8 times what the bottom 40 per cent received in the 1990s and 7.49 times what they took home in the 2000s. [See Figure 7.]

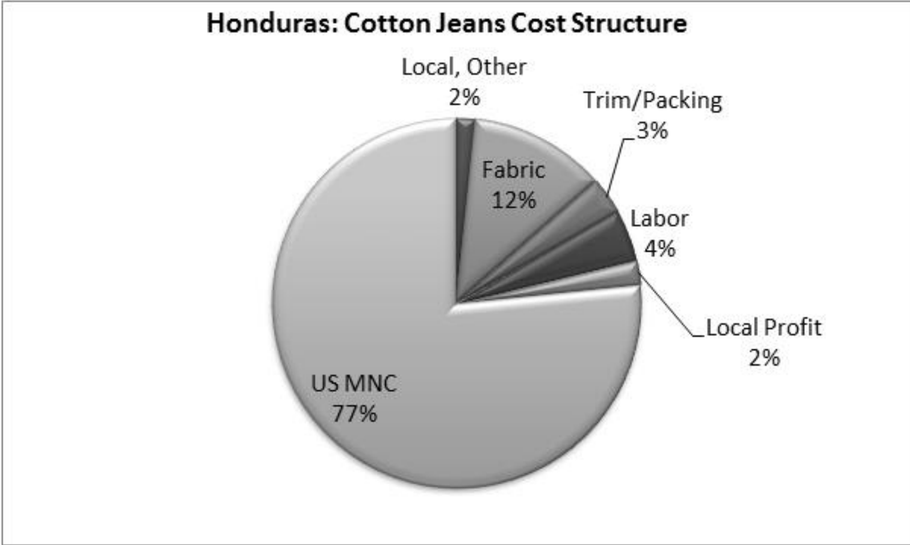
Figure 7



The reason why MNC investment has not reduced inequality is because Honduras remains stuck in a low-wage, low-skill forms of production. As mentioned above, wages have not kept pace with inflation and cover less than half of a family's basic needs. Thus, not only were wages too low to provide decent human development, but over time living conditions declined. At the same time, labour laws and practices have worked to keep unions weak in the sector. While many of the laws were favourable to unionization (much more so than, for example, U.S. labour law), an underfunded Ministry of Labour resulted in an inability of the state to enforce its labour laws. In the years in which apparel production boomed, there were only 17 workplace inspectors for the entire San Pedro Sula region, the heart of EPZ production with hundreds of factories. As a group, they were allotted one vehicle to conduct their

inspections (Anner 2008). Numerous anti-union practices became prevalent in the sector, such as a pattern of employer blacklisting of workers who had tried to form unions in the sector (U.S. Department of State 2009). And the ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) found that the penalties provided in the Honduran Labour Code for persons who interfere with the right to freedom of association–which range from USD 10 to USD 500—were "insufficient and a mere token."[2]

Figure 8



Source: O'Rourke Group Partners, 2011

There was an expectation that the relatively pro-labour agenda of President Manuel Zelaya (2006-2009) would stem some of the more systematic labour abuses. But those hopes diminished on June 28, 2009 when Zelaya and his ministers were removed from office in a coup d'état. Labour unionists who took to the streets in large protests were often subjected to repression. In the coup aftermath, Honduras became the most violent countries in the world, and this climate of fear and intimidation has impacted unionization. The consequence of this weak state labour relations regime and patterns of employer anti-union discrimination is a system in which MNC investment, rather than bringing benefits to workers and their families, results in the vast majority of wealth generated through production going to the MNC in its home country. The dynamic can be seen by breaking down the cost structure of cotton jeans produced in Honduras. For these jeans, which sell in the United States for USD 37.91, apparel assembly workers take

[2] http://www.ilo.org/dyn/normlex/en/f?p=1000:13100:0::NO:13100:P13100_COMMENT_ID:3085010

home USD 1.72, or 4 per cent of the sale price. In contrast, the share going to the MNC is USD 29.04, or 77 per cent of the sale price. [See Figure 8.] A model based on such a skewed distribution of value can only deepen, and not address, the problem of inequality.

Addressing Inequality in MNC Supply Chains through Corporate Campaigns[3]

Given the context of cost-squeezing pressures in the apparel global supply chain, weak local labour law enforcement, and a fragmented labour movement, the range of countermeasures available to workers appears limited in the Honduran case. Yet in 2009, Honduran workers achieved perhaps their most significant success in defending workers' rights and significantly improving wages and working conditions at the country's largest private sector employer, Russell Athletic, a Fruit of the Loom/Warren Buffet apparel division. On November 19, 2009, Russell accepted the re-hiring of 1,200 Honduran workers, recognized the workers' union, and agreed to begin collective bargaining. This favourable outcome was the result of rigorous domestic organizing and cross-border solidarity.

The campaign began in 2007 when management had dismissed 145 workers at the plants due to their union activity (WRC 2008) . The action motivated activists in the Global North, including student activists organized in United Students Against Sweatshops (USAS), to organize a campaign in coordination with Honduran unionists demanding Russell rehire the fired unionists. The worker-student alliance made sense for an additional reason: Russell was one of the largest producers of US collegiate apparel. This gave the students a source of economic leverage that they could exploit by demanding universities cut their contracts with Russell until such time that Russell respected internationally-recognized workers' rights. US trade unionists also became involved in the campaign. Notably, the AFL-CIO's American Center for International Labor Solidarity provided support to the Honduran union and offered training activities.

The USAS protests escalated, and the students had organized three speaking tours of fired Russell unionists, which covered influential universities from the east to west coast of the United States. In December 2008, the University of Miami had become the first school to cut its contract with Russell. Later, other universities cut their ties, some soon after the workers visited their

[3] This sections draws on (Anner 2013).

campuses. Eventually, major U.S. universities terminated their licensing agreement with Russell based on evidence of anti-union activities in Honduras. The Canadian Federation of Students and the British student network, People & Planet, also became involved, which resulted in two Canadian schools and approximately ten British schools terminating their Russell contracts.

USAS targeted not only Russell's collegiate consumers, but also non-collegiate business relations. For example, when USAS learned that Russell's subsidiary, Spalding, which had a long-standing relationship with the National Basketball Association (NBA), it went to the playoffs and hung a four-story-high banner that denounced Russell's sweatshop practices and demanded the NBA terminate the deal. Activists also went to Russell's headquarters in Kentucky and travelled to Warren Buffett's home to express their discontent with the billionaire's investment in the company. Adding to the corporation's discomfort were USAS 'Twitter bombs' and Facebook 'wall attacks' that would bombard these social media sites with messages such as 'Did you know that Russell just closed a factory and illegally destroyed 1,800 jobs?' Russell responded by shutting down its Facebook wall. On November 17, 2009, after years of union organizing efforts and an intense one-year transnational campaign, Russell announced it would re-open the factory and re-hire all the fired unionists and dismissed workers. Russell also agreed to recognize the union, begin collective bargaining, and adhere to a union neutrality clause for all of its other seven factories in Honduras (Hobbs 2009; Russell Athletic 2009).

It is important to note that the cross-border solidarity campaign would not have been successful without the persistent local activism of labour organizers in Honduras. This fits a pattern of cross-border campaigns in the region over the last 20 years. Research has shown is that the most successful campaigns integrate strategic international activist pressure with local slowdowns, strikes and pressure on government offices. Campaigns that only had an international component failed to provide sustained improvements for workers (Anner 2011b). What this suggests is that international solidarity can complement but cannot supplant good local organizing and bargaining. When these two elements are combined, as they were in the Russell campaign, the result is stronger unions and improved wages and benefits, and thus one step in the direction of more equitable distribution on income in MNC controlled supply chains.

Bangladesh's Apparel Sector and the Consequence to MNC Investment

The impetus for the relocation of apparel industries to Bangladesh included the adoption of the Multi–Fibre Agreement (MFA) in 1974, which regulated exports of textiles and clothing of the developing world through restraining the rate of export growth, along with an 'anti-surge' provision safeguarding sudden increases by a particular country to a specific market (Raffaeli 1994). By capitalizing on the opportunities offered by the MFA and pursuing favourable domestic policies to stimulate the sector, Bangladesh has turned into the second largest exporter of apparel in the global market after China.

This has happened within a relatively short period. The export earnings from apparel reached USD 21,515.73 million in FY 2012-13. The share of apparel in total merchandise exports has grown remarkably over the years; from a meagre 4 per cent of total merchandise exported in FY 1983-84, to FY 2012-13 when it captures more than 79 per cent of the share. For global brands that move from country to country of the cheapest labour costs, Bangladesh has been an attraction, especially as wages have risen in China.

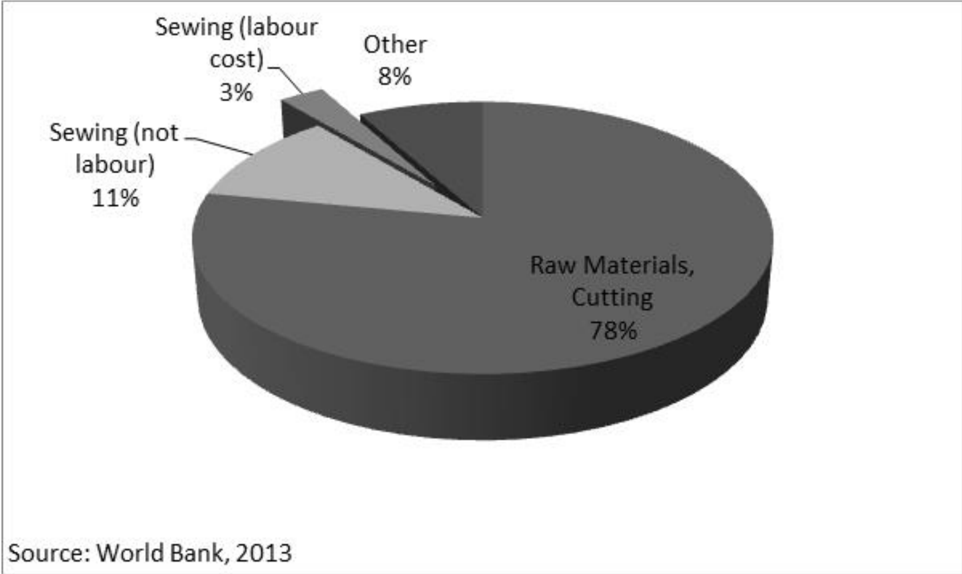
Foreign investment has played a central role in establishing the apparel industries in Bangladesh, with MNCs contracting production to locally owned firms, which now dominate the industry. The textile, garment and leather industry is prevalent in Export Processing Zones (EPZs), accounting for one fifth of Bangladesh's total export value. Multinational investments in Bangladesh's EPZs mainly come from South Korea and partially from Japan, the US, the UK, and China. Common incentives provided to these firms include: (a) duty-free imports of raw and intermediate materials and capital goods for export production; (b) 'one-stop' service for work permits and investment applications; and (c) generous, long-term tax concessions, including complete tax waivers. While in 1984-85 only 120,000 people were employed in the sector, three decades later around 4 million worked in the sector. Noticeably, women have represented over 80 per cent of the workforce.

Notwithstanding work opportunities, particularly for women, the integration of Bangladesh into the global apparel sector has produced several consequences leading to inequality (Titumir and Hossain 2005). Bangladesh's manufacturing success continues to depend on the country having the lowest labour costs in the world. The apparel sector minimum wage rates were set for years at around USD 39 per month, until they were increased in January 2014 to USD 68 per month following the local and global outrage at the Rana Plaza building collapse the killed over 1,100

workers. Yet, the race to the bottom in terms of wages and benefits continues. If one looks at the various components from the viewpoint of buyer/company, wages only account for 0.5 to 1 per cent of the ultimate sale price of the product, while marketing and advertising as well as profit for the company amounts to over 25 per cent of the end sale price (Clean Clothes Campaign 2008).

A value chain analysis carried out in a recent study for a polo shirt also reveals the unequal share of income that goes to labour (World Bank 2013). The study shows that the unit cost of shirt in Bangladesh is approximately USD 3.46, excluding margins and the cost of transportation to port. The highest cost component in polo shirt production is fabric in Bangladesh representing 77.5 per cent. The second-highest cost component is sewing and assembly, which represent 14.1 per cent of costs. Labour for the sewing and assembly stage is 23 per cent of total costs, which amounts to around 3 per cent of total production costs. The third-highest production cost is for finishing at 3.9 per cent of total. Other stages such as cutting and layering, packing and loading, and administration and overhead are the least expensive components of polo shirt manufacturing that collectively contribute 4.2 per cent to the total production cost. [See Figure 9.]

Figure 9
Cost Breakdown of a Polo Shirt Costing USD 3.46 to Produce



Under the operation of subcontracting rules, workers are at the mercy of brokers who determine production and compensation procedures. This implies a blurring of distinctions between employer and workers; workers often do not know by whom their legitimate demands would be met. This means that work and working conditions within the supply chain are hardly

cared for, as was seen by the November 2012 Tazreen Fashions factory fire and the April 2013 Rana Plaza building collapse. There are more than 200 multinational companies invested across all sectors in Bangladesh. Several studies show that Bangladesh loses around USD 2 billion every year because of tax evasion. According to a study by the UNDP, Bangladesh, which is among the least developed countries in the world, suffered the highest amount of illicit financial flow of USD 34.8 billion from 1990 to 2008, and it is losing USD 1.8 billion every year through capital flight due to misuse of transfer pricing (UNDP 2011).

Bangladesh's active policy stance towards greater FDI has led to the installation of differential Labor standard regimes in the country. While most industrial workers, including those of garment sector, are currently under the purview of the Bangladesh Labor Act (BLA) 2006, coverage has not been extended to the workers in Export Processing Zones (EPZs). The flexibility of labour laws, particularly the exemption from national legislation, is just one facet of the incentives given to foreign investors in EPZs. Differential labour law regimes in EPZs outline several phases for implementation with complicated and cumbersome procedures at each stage—posing significant restrictions and delays in relation to the workers' right to organize. The law continues to deny workers' rights in EPZs by keeping the EPZs and its workers outside the purview of the BLA 2006. This does not conform to the core ILO Conventions particularly on freedom of association (FoA) and collective bargaining (CB) to which Bangladesh is a signatory.

Addressing Inequality in MNC Supply Chains in Bangladesh

There are a number of initiatives and campaigns currently in place to address the unequal power of MNCs in Bangladesh's apparel sector. These initiatives range from labour law reforms, to labour solidarity campaigns for setting standards of enforcement and ensuring MNC supply chains improve work and working conditions through credible, transparent, and legally binding mechanisms. Campaigns in the country and abroad are widespread, calling for brands and retailers not only to establish and implement responsible sourcing/purchasing practices, but also to prohibit the use of factories in the supply chain that do not comply with applicable laws, regulations and internationally accepted labour standards. These standards include workers' rights to organize unions, negotiate legally binding collective agreements, and refuse dangerous work, as well as to ensure that supply chain workers earn enough wages to lift themselves and their families out of poverty.

There is also a call for brands and retailers to go beyond voluntary industry social auditing practices that have failed to protect workers from deadly safety hazards, and move toward legally binding workplace inspection and remediation processes. Brands and retailers in producing areas are being pressured to develop a multi-stakeholder engagement process which includes deep relationships with workers' organizations that enable more effective communication with workers to identify deep-seated problems.

The Accord on Fire and Building Safety in Bangladesh—a legally binding, and enforceable agreement between companies and unions to improve safety in Bangladesh's apparel sector—provides a good countermeasure. It includes independent safety inspections with public reports; mandatory repairs and renovations to address all identified hazards; and a central role for workers and unions, which includes worker-led safety committees and union access to factories to educate workers on how they can protect their rights and their safety, such as their right to refuse unsafe work.[4] At its centre, there is the commitment by companies to work with their suppliers to secure financing, maintain orders, and ensure factory renovations and repairs to make buildings in Bangladesh safe.

Trade unions and labour rights activists have demanded buyers provide full compensation to the victims. This demand indicates that the multinationals—despite their complex structural relationships across different national jurisdictions and contexts—are responsible for their own internal corporate network as well as other actors in the supply chain. Labour's second key demand relates to the call for all brands and retailers to sign on to the Bangladesh Safety Accord. As of January 2014, the Accord had been signed by over 120 apparel corporations from 19 countries, mostly in Europe. Labor signatures included IndustriALL, which represents 50 million workers in 140 countries in the mining, energy and manufacturing sectors, and UNI, which represents over 20 million workers in the services sector. Several Bangladeshi unions also signed.

The European Clean Clothes Campaign, the US Workers' Rights Consortium and International Labor Rights Forum, and the Canadian Maquila Solidarity Network are witnesses to the Accord. The International Labour Organisation (ILO) holds the position of an independent chair. However, key companies including Gap, Wal-Mart, and Arcadia Group have not signed

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[4] Bangladesh Accord, 2013. The Accord on Fire and Building Safety in Bangladesh, http://www.bangladeshaccord.org/wp-content/uploads/2013/10/the_accord.pdf .

the Accord. Wal-Mart, the single largest buyer from Bangladesh, and Gap announced their own rival safety plan, which is not legally binding, does not commit companies to pay for the cost of safe buildings, and does not include major national and international trade unions.

Trade unions have also been vocal about reforming the Bangladesh Labor Act and forcing the government to implement its commitments under the "National Tripartite Plan of Action on Fire safety and Structural Integrity." Their goal is to increase the number of government inspectors, improve the quality of their training, and expand the resources available to the inspectorate. Concerned by domestic and international pressure following the collapse of the Rana Plaza building and other tragedies, the Bangladesh parliament made 87 amendments to the Bangladesh Labor Act 2006. However, the amendments fall short of providing enough protections for workers to organize trade unions, and of bringing EPZ employment relations practices into conformity with international standards. As a result, labour unions and their allies continue to organize and mobilize within Bangladesh for better laws, more effective enforcement, and stronger unions with the goal of ensuring safer building and better wages. In the process, they hope to reduce historic patterns of inequality that have plagued apparel global supply chains.

Conclusion

MNC investment in developing countries has grown exponentially over the last several decades and now surpasses the value of MNC investment in developed countries. Some 80 per cent of world trade now takes place within supply chains. Mainstream economic literature on MNCs has mostly provided a positive analysis of their impact, portraying them as providing good paying jobs and technological transfer to poor countries. But their impact depends on the structure of their investment. Much of MNC investment now is not done directly by wholly owned enterprises but rather through networks of suppliers that are placed in competition with each other in bidding wars to see who can produce for MNCs at the lowest costs and in the shortest time. At the end of these hyper-competitive supply chains are the workers, who face low wages, reduced benefits, production speed ups, and an array of union-avoidance strategies. To keep costs even lower, many suppliers resort to contingent workers and informal sub-contracting networks, which often rely on women, child labour, and marginalized sectors of society as the work becomes more precarious.

In examples from the apparel industry in Bangladesh and Honduras, we saw how different structures of supply chains often result in similar forms of downward pressure on workers. MNC supply chains in developing countries often work to keep wages low and unions out. But this paper also illustrated several effective countermeasures. In Bangladesh, in the aftermath of the horrific Rana Plaza disaster that left over 1,100 workers dead, labour developed alliances with international solidarity groups and Global Union Federations to pressure MNCs into signing the binding Accord on Fire and Building Safety in Bangladesh. Through the Accord, MNCs were forced to commit to paying a price to contractors that would allow for production in safe buildings. Labour also worked to reform national labour laws and to improve state building inspection capacity. In Honduras, facing the mass dismissal of workers who had attempted to form a union and bargain with a Fruit of the Loom Company, Russell, workers also sought out cross-border alliances with student and labour groups in the United States. The campaign resulted in over 110 cut contracts for the company and forced it to re-hire the union leaders and members, and to begin good faith bargaining. The result is now significantly improved wages and benefits and what is becoming the largest private sector union in the country.

The challenge of addressing inequality faced by societies and their workers remain considerable. MNC investments generate massive amounts of wealth, and they do provide jobs. Yet it is not enough to provide workers low wage jobs on temporary or part-time contracts. Rather, the wealth generated by MNCs needs to be more equitably shared down the supply chain. MNCs will not, on their own accord, commit to a more equitable distribution of their wealth. Rather, they will continue to operate according to market dictates and opportunities so long as there are no considerable countervailing forces. This is why better state policies and more effective local and international trade union strategies are so crucial to ensuring Amarty Sen's call for the poor to get a fair share of the vast benefits of global economic interrelations.

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