Globalization and Paradoxes of Ethical Transnational Production: Code of Conduct in a Chinese Workplace

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Neo-liberal economic globalization and acceleration in information and communication technologies have strengthened the competitiveness of transnational corporations by making it easier for them to stretch their global commodity chains to developing countries. Such control from a distance threatens national states’ capacity to regulate TNCs and their impact upon environment, labour and human rights in developing countries. This has prompted anti-TNC sentiments and campaigns that challenge brand-named TNCs on labour exploitation in the south. These changes have triggered discussions on setting labour standards in the international arena. With the WTO distancing itself from the ‘social clause’, this has prompted the TNCs, NGOs and other stakeholders to self-regulate by introducing codes of conduct. Concentrating on the clothing industry, this paper examines the emergence of company and multi-stakeholder codes of conduct that require the involvement of subcontractors and NGOs in developing countries. The moving of ethical codes to developing countries condenses and reproduces, under the twin pressures of competitiveness and social auditing, the paradoxes of ethical transnational production in the internal organizations of local firms. These paradoxes are demonstrated from a case study of a workplace in China. The paper ends by outlining three paradoxes and commenting on the development of a managerialist ‘audit culture’ in workplace practices as commodification of ethical code.

KEY WORDS Audit culture, Civic activism, Codes of conduct, Commodity chains, Corporate social responsibility, Chinese workplace.

Introduction

There is a growing trend for transnational corporations (TNCs) to introduce codes of conduct regarding labour conditions in their global activities. This paper discusses this phenomenon in general terms and then identifies some paradoxes in the implementation of such codes through a case study of one corporation in southern China. We first suggest that neo-liberal economic globalization and the acceleration in information and communication technologies have enhanced the potential competitiveness of TNCs by enabling them to stretch their commodity chains and to integrate developing countries more completely into their operations. This poses interesting questions about national states’ capacities to...
regulate TNC activities and their impact upon the environment, labour and human rights – especially as the TNCs often exercise their powers at a distance and international bodies such as the WTO are less committed to ‘social clauses’ (see the second section below). We then explore how the transnational nature of these commodity chains and the dominance of TNCs in their organization have prompted general disquiet and resistance over labour exploitation in the south and anti-TNC sentiments in particular. This has triggered discussions on setting labour standards through TNCs and/or through multi-stakeholder codes of conduct (see the third section below). Turning to the clothing industry, we then examine this ‘code rush’ and the emergence of an arena for global business governance that is mediated by the UN, the ILO, NGOs, TNCs and states. The emergence of this governance arena enables large corporations to adopt their own codes and/or multi-stakeholder ones. One possibility, which is the focus of our attention in this paper, is for TNCs to adopt in-house codes that contain the main provisions of a multi-stakeholder code (see the fourth section below). Next, we explore the implementation of this code in a case study in southern China. This case reveals how the transfer of this code from the transnational arena to a specific local site condenses and reproduces in the internal organizations of local firms some emerging paradoxes of ethical transnational production. This occurs under the twin pressures of competitiveness and social auditing (see the fifth section below). The paper concludes by identifying three such paradoxes and suggests that the managerialist audit culture that is being adopted in workplace practices in developing countries can be understood as a commodification of ethical codes (see the sixth section below).

Globalization and Transnational Production

Economic globalization has accelerated transnational production through the acceleration of innovation in information and communication technologies, inexpensive transportation logistics and the often-asymmetric liberalization of world trade under the WTO and other multilateral arrangements. Together with the celebration of neo-liberalism as the highest principle of rationality and basis for action, this has strengthened the competitiveness of TNCs by making it easier for them to stretch their global commodity chains to developing countries and thereby exploit new cost advantages (Dicken, 2003; Gereffi 1999; Gereffi and Korseniewicz 1994). This involves these corporations collaborating flexibly with networks of suppliers in developing countries to produce goods mainly sold in the developed world. This new mode of transnational coordination rests on TNCs’ ability to control production (e.g. delivery dates, quality standards, design specifications) over long distances without exercising ownership. Various consumer goods, including clothing, footwear and toys, have commodity chains in which control resides with brand name producers such as Levi-Strauss, The GAP, Reebok, Nike, Mattel and the like (Frenkel 2001; Jenkins 2001; Jenkins et al. 2002). Such control from a distance threatens national states’ capacity to regulate TNCs and their impact upon the environment, labour and human rights in developing countries.

This has prompted anti-TNC sentiments that can be seen in anti-globalization movements, quasi-organized ‘corporate watch’ efforts and anti-sweatshop campaigns (Klein 2000) mainly initiated in developed countries. They challenge TNCs on labour-related issues such as low wage levels, deteriorating working conditions, forced overtime, child
labour, unsafe working conditions, and lack of the right to free association (organizing unions) in developing countries (Taplin and Winterton 1997; Waddington 1999). In particular, such criticisms have been directed against major brand-name producers by consumer associations, non-government organizations (NGOs), international trade unions, and the media concerning labour issues in these countries. Such public allegations of labour exploitation have triggered a discussion, especially from the early 1990s onwards, on setting labour standards in the international arena.¹

The World Trade Organization (WTO) and the International Labour Organization (ILO) are important international economic institutional players in these discussions. In April 1994, during the final stages of GATT/WTO’s Uruguay Round, there was intense debate over a proposal to link labour standards with trade – the ‘social clause’ – as part of the international trade regime (Wilkinson 2002). Seeing the ‘social clause’ as ‘disguised protectionism’ by developed countries, negotiators from developing countries opposed its inclusion in the Uruguay Round. The issue of a social clause protecting workers was raised again in the WTO’s first Ministerial Meeting in Singapore in December 1996 and, as before, was deeply divisive. Nonetheless, the meeting did articulate the WTO’s and ILO’s positions on labour standards. The WTO renewed its commitment to observe labour standards and the ILO was accepted as the appropriate body to deal with these standards. Reflecting its neo-liberal orientation, however, the WTO only committed itself to continue its ‘existing collaboration’ with the ILO – whilst leaving unclear the nature of such ‘collaboration’ (Wilkinson 2002: 217). This ambiguity was reinforced in subsequent WTO summit meetings in Seattle and Doha in 1999 and 2001, respectively.

This distancing from the ‘social clause’ and the resultant marginalization of labour compared with the golden years of the (international) postwar settlement has prompted alternative ways of introducing labour standards into the international agenda. There is a shift from harder methods, such as enforcing ILO conventions through national courts, to softer methods (e.g. codes of conduct) suggested by non-state actors such as TNCs, NGOs and other stakeholders. This occurs as global commodity chains in the consumption sector come under the increasing scrutiny of consumer activism from developed countries.

Global Commodity Chains and Civic Activism

With the drive to cut costs and maintain competitiveness, brand-named TNCs such as Levi-Strauss, Nike and The GAP have subcontracted their production processes to developing countries in search of cheaper labour and lower environmental standards. Gereffi’s work on global commodity chains is very helpful in understanding such developments in global capitalism (Gereffi 1999; Gereffi and Korseniewicz 1994). For him, each commodity chain has three main dimensions: (1) the structure of inputs and outputs that links products and services in a sequence so that each activity adds value in turn; (2) the territorial aspects of the networks among enterprises – networks may be spatially dispersed or concentrated; and (3) the structure of governance, with its vertical and horizontal relationships of power and authority, which determines the flow and allocation of resources in the chain. This paper is mostly concerned with the third dimension, especially in the case of buyer-driven chains (see Figure 1). The latter are chains in which brand-name retailers and trading companies are dominant buyers and collaborate flexibly with networks of suppliers in developing countries to produce consumer goods for sale in developed markets.