

CONSUMER CONCERNS AS A TRADE BARRIER: AN ASSESSMENT FOR MULTI-NATIONAL COMPANIES**Erdal BEŞOLUK (PhD)*** **Prof. Zeki PARLAK (PhD)**** **ABSTRACT**

The structure of integration at global level, emerged along with the globalization of the production of labour-intensive goods with low-value-adding is called global value or global commodity chains. The purpose of this production organization is to disintegrate the production into parts and produce each part in countries where the labour cost is minimized. The attempts by the multinational companies to reduce costs have resulted in a severe violation of the core labour standards and triggered off widespread consumer boycotts. The aim of this study is to investigate to what extent the consumer boycotts and concerns have a sanction impact on the multinational companies for the violations of the labour standards, taking place throughout the global value chains. This study claims that contrary to the widespread popular belief, the consumer concerns have a limited chance of success and, cannot be a high-pressure factor for the multinational companies.

Keywords: Globalization of Production, International Trade, Multinational Company, Consumer Concern, Worker Right.

JEL Codes: J80, J83, J 100, J 101.

BİR TİCARET ENGELİ OLARAK TÜKETİCİ TEPKİLERİ: ÇOKULUSLU ŞİRKETLER AÇISINDAN BİR DEĞERLENDİRME**ÖZET**

Katma değeri düşük emek yoğun malların üretiminin küreselleşmesi ile birlikte ortaya çıkan küresel düzeydeki entegrasyon yapısı, küresel değer veya küresel mal zincirleri olarak adlandırılmaktadır. Bu üretim organizasyonun amacı üretimin parçalara ayrılarak her bir parçanın maliyetinin minimum olacağı ülkelerde üretilmesidir. Çokuluslu şirketlerin maliyetleri düşürme çabaları beraberinde temel çalışma standartlarının ihlal edilmesine ve tüketici boykotlarının yaygınlaşmasına neden olmuştur. Bu çalışmanın amacı, küresel değer zincirleri ekseninde meydana gelen işçi hakları ihlallerine yönelik tüketici boykotları ve tepkilerinin çokuluslu şirketler üzerinde ne ölçüde

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bir yaptırım gücüne sahip olduğunu araştırmaktadır. Bu çalışma, tüketici tepkilerinin sınırlı bir başarı şansına sahip olduğunu ve sanıldığı gibi aksine çokuluslu şirketler açısından etkili bir baskı unsuru olmadığını iddia etmektedir.

Anahtar Kelimeler: Üretimin Küreselleşmesi, Uluslararası Ticaret, Çokuluslu Şirketler, Tüketici Tepkileri, İşçi Hakları.

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1. INTRODUCTION

The globalization of production, defined as the shift of low value-added production from developed countries to developing countries since 1960, has made multinational corporations most powerful actors of the global economy. Multinational corporations have vertically fragmented their production and shifted labour-intensive parts of production to "peripheral countries" all around the world. The globalization of labour markets, led by the globalization of production in the manufacturing industry, has also resulted in the infringement of workers' rights worldwide. Multinational corporations aim to employ workers, who are cheap, unorganized and lack social protection in developing countries. These types of labour rights violations can be increasingly identified with the help of evolving communication and internet technologies. Therefore, commercial sanctions and consumer boycotts are applied against companies that violate labour rights in many countries.

Consumer boycotts are argued to be a highly deterrent tool against irresponsible multinational corporations, and consumers are being educated by civil society organizations in this regard. Consumer reactions to the labour rights violations indicate that a competitive price alone is not sufficient for shifting the production to periphery. On the other hand, the question of whether consumer reactions can prevent the labour rights violations and create sufficient pressure on multinational corporations is highly controversial. The purpose of this study is to examine if the sanctioning power of consumer reactions on multinational corporations. This study argues that consumer reactions, particularly in terms of boycotts and raw material sourcing, are not deterrents for multinational corporations.

2. WORKER RIGHTS AS A FUNDAMENTAL HUMAN RIGHTS

Worker rights can be classified at both the individual and collective levels. Many issues such as wages, occupational health and safety, privacy protection, job security, union membership, and the right to strike are included in the workers' rights (Mantouvalou, 2012: 152). The international labour code of the ILO is also included. In other words, the classification of worker rights is made through international labour standards. This similarity generally arises from the fact that some worker rights are considered as the basic human rights (Langille, 2005: 412-417). According to this classification, the basic human rights recognized as workers' rights are freedom of association and collective bargaining, prevention of

forced labour, effective action against child labour, and prevention of discrimination in employment and occupation (ILO, 1998: 6-8). In addition, workers' rights are also addressed through second generation rights. According to this classification, "the right to work, the right to form unions, the right to strike and collective bargaining, the right to participate in workplace management, the right to rest, and the right to social security" are included in the second-generation of workers rights classification. The right to work is defined as having access to a job opportunity that is dignified for a person's human worth. This right also encompasses "the right to workplace safety, the right to demand that workplaces comply with working and health conditions, the right to demand that working hours be kept at appropriate levels, the right to fair wages, the right to paid leave, the right to rest, the right to leisure time, the right to be employed in jobs appropriate to one's strength and gender, and the right to social security," among other workers' rights (Kaya and Yılmaz, 2016: 60-62). Therefore, workers' rights are considered as fundamental human rights.

On the other hand, some authors argue that considering workers' rights as the fundamental human rights is not appropriate because these rights do not have a universal characteristic like human rights. It is clear that the universal application of these rights is much more difficult compared to the basic human rights. Additionally, it is claimed that workers' rights are not absolute basic needs like fundamental human rights. According to these authors, workers' rights are rights that have been shaped over time and are subject to change depending on the changing economic conditions (Mantouvalou, 2012: 164). Regardless of the debate on whether workers' rights are a fundamental human right or not, violations of workers' rights in the workplace are considered a human rights violation and receive public backlash. The restructuring of manufacturing production and globalization of production after the 1960s led to an increase in the violations of workers' rights in developing countries. As a result of the increasing incidents of such violations, the discussions for ensuring protection of workers' rights have intensified.

3. THE GLOBALIZATION OF MANUFACTURING PRODUCTION

The process of restructuring production in the manufacturing industry, some authors indicate as the new international division of labour, has turned many developing countries into pools of the reserve labour force with low-paid, unprotected, and unskilled workers for capital. Multinational Corporations (MNCs) have shifted low-value-added labour-intensive production from developed countries to the low wage countries of globe. This process has not been the result of the economic policies of developing countries, but a result of the restructuring of the manufacturing industry in developed countries by MNCs (Folker, Heinrichs, and Kreye, 1978: 126-128). One of the factors influencing this restructuring is the stagnation of profits and productivity in the manufacturing industry in the advanced countries of the west. Following the oil crises of the 1970s, there was a significant slowdown in the world economy. The world's average growth rate between 1963-1972 was 4.7%, while between 1973-1981, this rate dropped

to 2.8%. The negative impact of the period of the economic crisis was observed more in the manufacturing industry. In the developed economies, the value-added production in the manufacturing industry decreased from 6.2% between 1960-70 to 3.0% between 1970-80 (Aydın, 1999: 17).

The strong trade competition from East Asia has led to changes in the policies of the MNCs towards the manufacturing industries in developed countries. To survive global competition, the production costs provided by the abundant and low-wage labour force in developing countries were seen as a saviour for the MNCs. This is because workers in developed countries have severely resisted the deregulation of the labour markets and the flexibility practices. This has led the industrial capital to question their current production organization and to move labor-intensive parts of their production to developing countries in order to minimize production costs (Aydın, 2008: 22). The lack of class consciousness of workers in developing countries compared to those in developed countries, their low wage expectations, and the composition of age, gender, and skills have made them attractive to the capital (Parlak, 663). For example, it is known that women were heavily employed in the assembly industry, which was shifted to developing countries in the 1970s. This was because women had lower wage expectations than men, had more skilled fingers for assembly operations, and are more suitable for boring and monotonous jobs (Elson and Pearson, 1981: 93)

Another factor affecting the restructuring process in the manufacturing industry is the changing investment areas of MNCs in developing countries. After World War II, international organizations made great efforts to reduce customs tariffs and quotas in global trade (Rose, 2004: 98). This was because of the import substitution industrialization policies, which were the economic and industrial strategy of the time, were implemented in developing countries in the post-war years. Therefore, the multinational corporations shifted their investments from agriculture, mining, and oil exploration to the manufacturing industry by "bypassing tariff barriers" (Gedikli, 2011: 93). During this period, it is observed that many American companies accelerated their investments in the manufacturing industry and shifted their production to countries with cheap labour such as the Latin America countries and India (Jenkins, 1987: 5-6). From the beginning of the restructuring in the manufacturing industry in the 1960s, developing countries offered special incentives to attract foreign capital. Products with low value added produced in these countries would be sent back to developed countries, and this process created a new type of investment in the manufacturing industry (Gedikli, 2011: 213).

Another reason for the transfer of labour-intensive production to developing countries is the de-industrialization policies, observed in developed countries. Under these policies, the production in developed countries has focused on high-skilled and advanced-technology products, resulting in a contraction of the manufacturing industry. While multinational corporations have sourced highly skilled labour for R&D and design of the product from developed countries, they have sourced low-skilled and

cheap labour from developing countries for the labour-intensive parts of production (Uyanık, 2008: 213). Not surprisingly this has resulted in a reduction in labour-intensive industries based on cheap labour for countries that have completed their economic development, and the expansion of the service sector. As an insensible result of this process, employment in the manufacturing industry has decreased in developed countries, and the share of the manufacturing industry in the GDP has undergone a rapid decline (Altay and Turhan, 2002: 81).

Table 1. Manufacturing Industry Value-Added Increase Rates (1980-2000)

| Top Ten Countries (Average Increase by Year %) | | |
|---|-----------|-----------|
| Manufacturing Industry Added Value | | |
| Countries | 1980-1990 | 1990-2000 |
| China | 10,4 | 14,7 |
| South Korea | 13 | 6,9 |
| Malaysia | 8,9 | 10,8 |
| Indonesia | 12,6 | 8,8 |
| Thailand | 9,5 | 7,7 |
| Singapore | 6,6 | 6,7 |
| India | 7,4 | 8,0 |
| Hong Kong | - | - |
| Türkiye | 7,9 | 5,9 |
| Chile | 3,4 | 5,7 |

Source: Mehmet Atalay, Mutafa Turhan, “Küreselleşme, Gelişmekte Olan Ülkeler ve Türk İmalat Sanayi”, *Planlama Dergisi*, 2002: 82.

Table 1 shows a significant development in the manufacturing industry value-added in South East Asian countries such as China and Indonesia. As noted earlier, multinational corporations have moved the labour-intensive segment of their production to Southeast Asian countries, a paradise for cheap labour costs in 1960s-1970s. Since the 1970s, many MNCs such as General Electric, Westinghouse, General Motors, and Texas Instruments have shifted their production to Asian countries with low labour costs. Many companies ranging from toy manufacturers such as Hasbro and Tyco to textile companies such as Evan Picana, Bloomingdale, and Liz Claiborne, as well as automotive and electronic parts manufacturers, have benefited from the production costs of Asian countries (Slocum, Lei, and Pitts, 1996: 22-29). The relocation of production by multinational corporations to developing countries has had a positive impact on the manufacturing industry value-added of these countries. Table 1 shows a significant development in the manufacturing industry value-added of China, Indonesia, Malaysia, and Thailand, which are important contributors to global production.

4. MULTINATIONAL COMPANY AND GLOBAL VALUE CHAINS

Globalization of labour-intensive production has led to the formation of highly complex production chains involving multinational corporations. In this chain, all forward and backward linkages are under the control of MNCs, and managerial authority is concentrated at their headquarters. The

concept of "Global Value Chain" (GVC) is used to describe these economic movements of MNCs (Hernandez and Pedersen, 2017: 138). The GVC consists of two different chain organizations that are shaped by the business areas of corporations involved. The first is named as producer-driven value chains, (PDVC) based on global production, while the other is buyer-driven value chains (BDVC) used to define global outsourcing (Gereffi, 1996: 429). The Global production, that is PDVC, is mainly created to produce high value-added goods such as computers, airplanes, cars, and electric machines. These are often referred to as "differentiated and science-based goods." The global outsourcing structure has been created by large retail companies to produce labour-intensive and low-value-added goods (Köse and Öncü, 2000: 75-76).

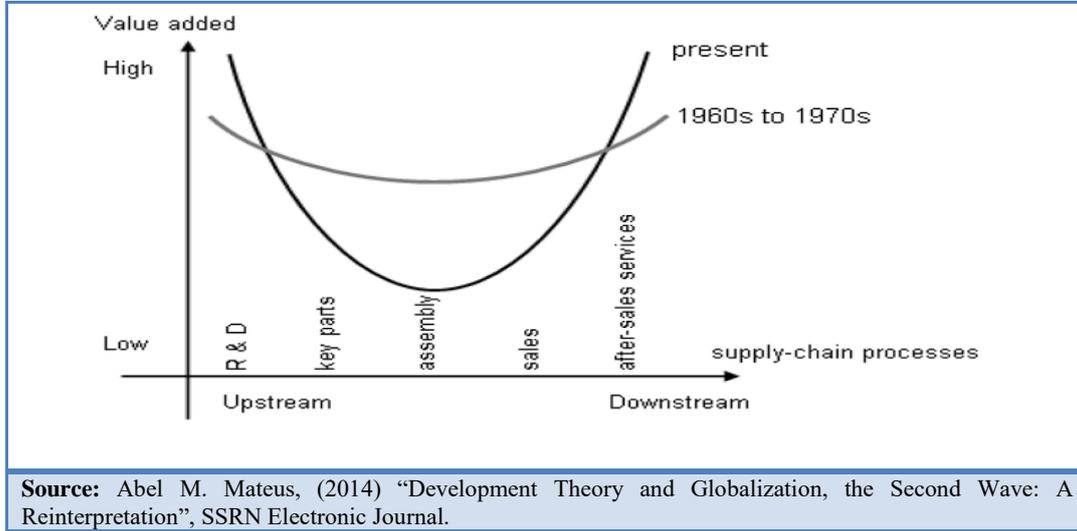
MNCs have formed PDVCs by vertically organizing companies that are affiliated with them and operating in more than one country or region to produce high value-added goods (Saraç, 2011: 13). This chain has been created by MNCs operating in the manufacturing industry and with purposes such as obtaining raw materials and having access to the markets. This organization was initially created locally and later integrated with ICT and transportation technologies at a global level. The most typical examples of such organizations are the automotive and aircraft industries. The "World Car Erika", which was produced jointly by two big companies such as General Motor and Ford in the 1960s, is the first and most typical example of this organization. Many companies operating in different countries took part in the production and assembly of this automobile (Aykaç, Parlak and Özdemir, 2009: 62-66). In producer-driven value chains, MNCs produce the high value-added part of the product themselves while splitting and transferring the labour-intensive parts to either their partners or suppliers in developing countries (Bekmen, 2011: 35).

In the BDVC, goods chains created by MNCs for the purpose of global outsourcing, they create well-known brands and are not involved in the production process. This organization, which is generally formed by large retail companies, concentrates on sectors such as shoes, toys, textile products, ready-made clothing, and sports equipment. MNCs, which are active in the design, marketing, and distribution of these products, transfer the production process to companies mostly located in developing countries (Köse and Öncü, 2000: 76). In other words, after MNCs complete the design of a product, they decide by whom, where and at what price the product will be manufactured and follow the strategy of exporting the finished product back home.

On the other hand in the PDVC, MNCs outsource the manufacturing stages of a product from contract manufacturers, who make the most advantageous offer, operate mostly in developing countries and are included in the global supply network (Greff, 2011: 7). Companies that followed this strategy created brands, well known all over the world, such as Nike, Reebok's Ralph Lauren and Liz Claiborne in the 1970s. These companies, which are not involved in the production stage in any way, are also

called "Factoryless goods producing firms" (Greff, 1996: 430). As a matter of fact, although Nike does not have a production facility, it designs and sells an average of 300 models and over 900 shoes with its global supply networks (Dikmen, 2000: 288). Figure 1 shows the role of MNCs in global production chains.

Figure 1. Changes in the Smiling Curve Over Time



According to Figure 1, the MNCs have reduced their inhouse production and have become factoryless goods producer firms within time. The MNCs now outsource their production process to contract manufacturers in developing countries, ensuing to completing the product design. For example, Apple earns a profit of around 47-53 % from the sales of an iPod without getting involved in the assembly or component production process (Mateus, 2014). This is seen as the only way for the MNCs to compete in the global market. As emphasized in Intel's slogan "faster, better, and cheaper," a product must be of high quality and cheap to compete in the global market (Steers and Nardon, 2006: 3). Global commercial competition has led the MNCs to establish production networks where they can reduce their production costs as much as possible, bringing about a widespread violation of workers' rights.

5. NON-GOVERNMENTAL ORGANIZATIONS AND CONSUMER CONCERNS

With the trade liberalization, the MNCs have become the most important actors in the global economy. Through the global supply chains they create, MNCs control 80% of the international trade (UNCTAD, 2022). The MNCs' fragmentation of their production processes and shifting of labour-intensive parts to developing countries to reduce production costs has given a fresh impetus to the infringements of workers' rights. Therefore, this issue has been brought to the public by various groups. In addition to violations of labour rights, consumer concerns also cover many issues such as the violation of environmental standards by MNCs, organic standards, and animal health. For example, in the EU,

consumers have protested the import of marine animals' fur from Canada. These protests convinced the European Parliament passing the regulations to prevent the import of these products. In addition, European consumers and environmentalists have significant reactions to genetically modified agricultural products (Isaac, Philipson, and Kerr, 2002: 116). On the other hand, infringements of workers' rights can attract much more attention as they affect many workers. It is observed that workers in China are working for 11-12 hours a day without weekly leave, in return for extremely low wages. In India, millions of children at the age seven or more work in textile workshops under extremely poor working conditions. In many developing countries, millions of people lose their lives due to inadequate occupational health and safety measures. The risk of workers employed in the manufacturing industry in Pakistan having a work accident and dying due to insufficient protection measures is 15 times higher than that in the United States (Tsogas, 1998: 25).

The news about very serious violations of workers' rights especially in developing countries, have provoked the discussions about monitoring and regulating the economic activities of MNCs in 1970s. Nevertheless, the states do not want to involve extensively in this issue. Thus, this process must be directed by consumers and civil society organizations. One of the best methods making compelling these profit-driven giants to respect workers' rights is to raise consumer awareness. This method, known as "product labelling", suggests that if consumers have sufficient knowledge about products produced through abusive labour practices, they will adopt a common stance and create pressure on the MNCs to show more respect for workers' rights. Indeed, one of the most serious market failures is that consumers do not have enough information about the production process of the products they buy (Parlak, 2004: 78). Widespread boycotts against a product produced without respecting workers' rights would create a very serious pressure on the companies behaving irresponsibly. According to Freeman, an information on a low price of a product produced through exploiting workers is sufficient to spur consumers. A survey conducted in 1966 by Marymount University demonstrate that 84% of customers believe that companies should respect workers' rights when producing goods. These customers were willing to pay more for any product, produced without exploitation of workers (World Bank, 1996: 285-286). In another research on this issue, Freeman used two t-shirts with the same logo but produced under different conditions. The first t-shirt was produced under normal working conditions, while the other involved human rights violations such as child labour, forced labour, or exploitation of women's labour. According to Freeman, consumers would choose the first t-shirt if the price difference between the two products is not significant (Freeman, 1994: 81).

To be successful, consumer boycotts must be supported by many workers and receive support from governments, unions, and civil society organizations (Gunderson, 1998:10). Advancements in the ICTs has created the necessary basis for such boycotts. The extensive use of the ICTs has enhanced consumer awareness and concerns against human rights violations such as forced labour and child labour

(Addo, 2015: 79). MNCs, anxious about consumer concerns, have developed their own codes of conduct regarding their own labour and environmental standards. These codes are applied in their labour-intensive activities such as textiles, clothing, shoes, and electronics industries in counties. They are ethical codes that regulate the behaviours of the companies and indicate that they act with social responsible awareness. Some MNCs such as Nike, BP, Levi's, Pepsi, Reebok, and Volkswagen developed such codes of conduct to create an image that they respect workers' rights (Parlak, 2009:193-203).

Although there is no international organization to monitor these codes of conduct, the consumer reactions have yielded sufficient menace for the MNCs to act more sensitively on labour rights. For example, the effect of consumer boycotts on the commercial competition between Reebok's and Nike is one of the most striking examples in this regard. In 1966, the New York Times reported on Nike's failure to respect workers' rights in its Asian manufacturing facilities. The news that women workers were employed in extremely bad and slave-like conditions in these facilities prompted the wide-ranging consumer boycotts Nike. After this news, some non-governmental organization audited the mentioned production facilities and confirmed the accuracy of the existing news (Bell, Lee and Lewis, 2005: 361). The news about Nike's human rights violations remained high on the public agenda. In 1996, the news about child labour in Nike's soccer ball manufacturing facilities in Pakistan, as well as the news about similar violations at the facilities in Colombia at the same time, stimulated great public reactions and protests (Bakhski and Kerr, 2010: 157-158). In this period, along with Nike, there was also news about Reebok's violations of workers' rights. However, while only 3.1% of the news about labour exploitation was about Reebok's, that of 61% was about Nike. As a result of consumer concerns, Nike experienced a significant loss in its market share and lost its sales figures rapidly. Yet Reebok's increased its sales rates rapidly. The responsible company image created by Reebok's with its social responsibility projects has a significant impact on this. As a result, Reebok's was able to rise its revenue from about 11 Million Dollars in 1999 to 192 Million Dollars in 2004 (Yu, 2008: 516).

The Nike case was in the period when non-governmental organizations began to pay more attention to consumer concerns and struggled to raise awareness of workers' rights. Among these initiatives are the Investor Responsibility Research Centre, the Ethical Trading Initiative, the Clean Clothes Campaign, Oxfam's Clothes Code Campaign, Free the Children and Human Rights Watch (Bakhski and Kerr, 2010: 158). Some of these codes created by such non-governmental organization campaigns and the companies can be found in the Table 2.

Table 2. Company Policies and Non-Governmental Organizations Campaigns

| Non-Governmental Organizations | |
|--|--|
| Rugmark Campaign | Under the auspices of the Child Labour Coalition/National Consumers League, a non-profit foundation, the campaign labels hand-knotted rugs as being made by adults only and includes inspectors. Largely conducted in Germany, the campaign was extended to the US in 1996. |
| Fair-trade Foundation | Labels teas produced under good conditions with social benefits for workers on tea estates and operate through major retailers, such as Sainsbury |
| No Sweat Trendsetter List | US retailers and manufacturers pledge to eradicate sweatshops in the US under the aegis of the US Department of Labour. |
| Clothing Industry Summit | Held under the auspices of television personality Kathie Lee Gifford and the US Department of Labour, it publicizes connections between sweatshops and clothing makers. |
| Clean Clothes Campaign | A European effort to work on standards in apparel that is based in the Netherlands |
| International Toy Campaign | A European effort to work on standards in toys that is based in London |
| Multinational Companies | |
| Reebok's | Has in place a voluntary code of conduct for subcontractors, with Human Rights Programme. |
| Levi Strauss & Company | Adopted code of conduct, following discovery of problems. Withdrew \$40MM from China to protest human rights violations. In 1992, the company paid school tuition for a Bangladeshi contractor's underage employees to go to school and return to work after age 14. |
| The Gap | Facing pressure, signed an accord with the National Labour Committee for independent human rights monitoring of its production facilities in El Salvador. |
| Liz Claiborne | Also under pressure, has begun to work with independent groups to monitor facilities. |
| Starbucks | Facing pressure from an activist group, it developed a code of conduct that involves standards for coffee producer subcontractors in Guatemala. |
| Source: Maria Artuso, M. and McLarnet, C. (2015) "A Race to the Top: Should Labour Standards be Included in Trade Agreements?", VIKALPA the Journal of Decision Makers, 40(1): 3-4. | |

With the development of communication and internet technologies, the increasing use of social media allows consumers to organize more easily. Besides the Nike example, there have been many successful instances of such reactions. For instance, it is known that consumer concerns that emerged in Bruma regarding child labour and labour exploitation were successful (Tsogas, 1998: 27-28). Similarly, a campaign initiated by the National Labour Committee focusing on human rights violations in Honduras has a similar success story. The name of a TV program being the same as a product name produced through child labour caused the TV channel to be at the centre of reactions. As a result of these reactions, the TV program had to apologize publicly and change its name. Additionally, the program supported taking necessary steps towards products produced in Honduras and eliminating child labor (Parlak, 2004: 79). In conclusion, there are many examples in practice showing that consumer concerns are successful and turn into a pressure element for companies. However, it is also known that such reactions have some deficiencies and application difficulties.

6. THE IMPACT OF CONSUMER REACTIONS ON MULTI-NATIONAL COMPANIES: AN ASSESSMENT ON THE ADEQUACY OF CONSUMER CONCERNS

Although consumer concerns have been successful in creating public opinion, the adequacy of such reactions for MNCs operating in developing countries to respect workers' rights is highly controversial. The first concern regarding this issue is the sincerity of the respectful corporate image that companies adopt towards workers' rights. MNCs that want to avoid widespread consumer reactions are criticized for presenting their ethical principles and social responsibility image as a deception. The absence of an institution to monitor company codes, and the fact that such initiatives are implemented by companies voluntarily, is not deemed sufficient. Companies think irresponsibly about their profits and try to convince the public that they act responsibly through such initiatives (Parlak, 2009: 195). For example, in 1966, Reebok's set itself the principle of competing at the "Human Rights Production Standards" and was able to protect its corporate image from consumer reactions. However, there are studies indicating that human rights violations continue to occur in Reebok's production facilities in China. Despite Reebok's supportive attitude towards union organization in its manufacturing facilities in China, these studies argue that the current situation has not gone beyond being a "yellow union." Moreover, there has been no visible improvement in working conditions at these facilities, and it has been reported that workers still work in extremely harsh conditions and barely make a living. (Yu, 2008: 524-526). This behavior of companies is also due to the policies of developing countries themselves. Developing countries ignore higher-level social or environmental violations, such as human rights or environmental protection, in favor of economic progress (Khojastepour and Jamali, 2021).

After the implementation of neoliberal policies in the 1980s, foreign investments were supported by international organizations. This increased the mobility of foreign capital and allowed MNCs to shape industrial relations in developing countries according to their own interests, independent of the institutional framework (Levesque et al., 2015: 188). Indeed, initiatives aimed at establishing codes to regulate the economic activities of MNCs lost their importance in the global public opinion over time. Although OECD and ILO have codes of conduct, these codes have remained as ethical guidelines that cover a limited group of workers in sectors such as sports shoes, garment and toys, applied on a voluntary basis and not subject to global monitoring, thus failing to go beyond being mere examples (Parlak, 2009: 209).

Although consumer reactions may matter to MNCs in terms of maintaining their company image, it is quite difficult for consumers to determine how genuine the "responsible company" image that companies adopt is. The most important factor causing this difficulty is the highly complex chain organization of the production process due to the globalization of production. For example, in the production stage of a Japanese brand vehicle in the 1980s, tens of thousands of different companies were

involved (Aykaç et al., 2009: 66). As in this example, it is almost impossible for consumers to identify human rights violations in firms that operate in the production of intermediate goods or raw materials that are not directly targeted at consumption. Indeed, as shown in Figure 2, the majority of goods in the global value chain are intermediate goods rather than final goods.

Figure 2. Ratio of Final and Intermediate Goods in the Global Value Chain



Global supply chains are a manufacturing organization that brings together components (intermediate goods) from all around the world. Multinational corporations with this organization are now the main actors in world trade. Following the global production networks created by these corporations, the trade of intermediate goods has reached twice the trade of final goods. This increasingly complicates the possibility for consumers to determine labour rights violations in the production process of a product.

Another reason why consumers cannot access enough information about a product's production process is the integration of the informal sector into global production. Working conditions in the informal sector are extremely poor and human rights violations are very high (ILO, 2019: 86). It is argued that companies operating in developing countries involved in the supply chains created by Multinational Corporations are fully or partially part of the informal sector (Chen, Jhabvala, and Lund, 2002: 4-5). Companies have established codes of conduct in sectors such as garment, footwear, textiles, and electronics in response to increasing consumer protests in the 1990s. However, these sectors, which are the most significant parts of global supply chains, are intertwined with the informal sector (Carr and Chen, 2002: 7). According to Freeman, it does not seem very possible for consumers to have enough information about the production of a product. Rather than acquiring information about a product, consumers will choose to trust the image of the company producing that product. If a product is manufactured by a well-known brand, consumers will have the perception that there will be very few labour rights violations in the production process. However, companies that violate human rights in their

production facilities, such as in the case of Reebok, will not provide consumers with enough information about the products they produce and may deceive them by creating an image that they respect labour rights (Freeman, 1994: 82-83).

Another controversial issue regarding consumer reactions is the economic aspect of the subject. The attitude of consumers towards products produced under poor working conditions and low wages will cause the production strategies of MNCs to change and production costs to increase. This is because implementing higher working standards in the manufacturing process means higher labor costs (Lee, 1997: 138). This situation will create an effect similar to "compensating wage differentials." Workers will choose the job with better working conditions even if they receive the same salary. In this case, the employer of the other job has only two options: either to improve the working conditions or to agree to a compensating wage differential and pay more to attract workers (Canbey, 1998: 36). Similarly, consumers who are not satisfied with the production process of a product and demand improvements will have to pay a "compensating price differential." Because in this case, the consumer is not only buying the product but also purchasing more humane working conditions. In other words, the product that the consumers buy may be considered as an "extended product." At this point, the question of how much extra cost the consumers are ready to pay for products produced in the enterprises with high working standards becomes important. According to Freeman, consumers will generally choose the product of a company that respects workers' rights as long as they have the same price. However, as the price difference between these products increases, the pressure of the compensating price differential on consumer preferences will also increase, and after a certain point, consumers will turn to cheap products produced by exploiting labour (Freeman, 1994: 81).

The economic dimension of the issue also includes whether the cost of high labour standards can be borne by developing countries. Developed countries that respect workers' rights have justifiable reactions and boycotts against companies that exploit labour in their production, advanced by conscious consumers (Trebilcock, 2001: 12-13). However, steps taken to prevent workers in developing countries from being exploited by the MNCs face problems with production costs. Many studies have also similar conclusions in this regard. According to these studies, while it may be possible to raise these standards for the formal sector in developing countries, it is not possible at all for the informal sector. Informality is endemic in the vast majority of sectors, where ubiquitous labour exploitation exists, and the workers' rights are ignored in developing countries. In addition, it is also emphasized that many developing countries do not have the economic power to advance workers' rights in the formal sectors (Singht and Zammit, 2004: 97). It is pointed out that the low labour standards may not be improved in developing countries by compelling measures which would reduce these countries' exports; on the contrary, the trade barriers must be lifted for developing countries to enhance their participation in the global trade. At this stage, it is more appropriate for consumers not to take a stance against products produced in

developing countries unless evidence exists about absolute human rights violations such as child labour, forced labour, or exploitation of women's labour. (Artuso and McLarnet, 2015: 12).

In summary, the impact of consumer reactions on working conditions and workers' rights in developing countries is a controversial issue. Some writers argue that international consumer boycotts may only prevent further deterioration of working conditions, rather than improve them (Yu, 2008: 524). Others argue that advancements in workers' rights because of the consumer reactions may be realized in the short run. Yet these improvements may deteriorate the labour standards in the long term due to the loss of foreign investment opportunities. Developing countries attract foreign investment mainly because of low production costs, and increasing labour costs may cause them to lose their attractiveness as investment destinations (Field, 1998: 14-15). It is important to note that the lack of sufficient capital accumulation is a significant barrier to the economic development of developing countries (Seyidoğlu, 2003: 729-730). Therefore, losing foreign investment opportunities may also mean losing the potential benefits of the economic developments that could improve the workers' rights.

There is a strong relationship between the success of consumer reactions and the export performance of labour-intensive industries in developing countries. It is known that the MNCs globalize their production processes by shifting the labour-intensive parts of their production to developing countries. However, the export capacities of labour-intensive industries in developing countries are still very limited. Therefore, most of these sectors produce for limited markets and remain outside the global economy (Trebilcock, 2004: 587). The export performance of labour-intensive sectors in developing countries also supports this situation.

Table 3. Countries with the Highest Income by Export Performance 2022 (Thousand Dollars)

| | Manufacturing Industry Total | Footwear Industry | Garment Industry | Processed Agricultural Products | Machinery and Electronics Industry |
|---|------------------------------|---------------------------|----------------------------|---------------------------------|------------------------------------|
| 1 | USA (2.373.413) | USA (33.283) | USA (121.291) | China (51.579) | USA (833.010) |
| 2 | China (1.228.349) | Germany (14.073) | Germany (51.401) | USA (20.203) | China (622.599) |
| 3 | Germany (919.663) | France (8.961) | Japan (36.789) | Germany (12.135) | Hong Kong (370.373) |
| 4 | Hong Kong (553.918) | United Kingdom (8.575) | China (34.410) | Japan (10.859) | Germany (289.147) |
| 5 | France (499.984) | Switzerland (7.416) | United Kingdom (30.646) | Holland (7.632) | Japan (166.200) |
| 6 | Japan (456.573) | Italy (7.328) | France (29.229) | Italy (7.325) | Mexico (160.340) |
| 7 | United Kingdom (455.414) | Holland (6.091) | Vietnam (27.064) | India (6.912) | Holland (146.911) |
| 8 | Holland (394.140) | Japan (5.916) | Italy (25.035) | United Kingdom (6.850) | South Korea (143.268) |
| 9 | Canada (383.439) | China (5.623) | Spain (23.580) | Vietnam (6.408) | France (130.364) |

| | | | | | |
|--|---------------------|-------------------|---------------------|-------------------|-----------------------------|
| 10 | Mexico (363.645) | Russia (4.629) | Holland (20.072) | France (6.257) | United Kingdom (127.259) |
| Source: https://wits.worldbank.org/CountryProfile/en/Country/WLD/Year/2019/TradeFlow/Export (13.07.2022) | | | | | |

As shown in Table 3, with the exception of China, the export performance of labor-intensive sectors in developing countries is significantly lower compared to developed countries. This also means that global consumer concerns cannot create significant pressure on the labour-intensive sectors in developed countries. In other words, consumer concerns from developed countries can create a pressure factor for local firms operating in limited sectors that produce goods for export, as well as for the MNCs trading with these firms. Therefore, it is understood that local concerns are more likely to produce successful results than global consumer protests. To achieve this success, more responsibility lies with trade unions and civil society organizations operating in developing countries and having sufficient knowledge about their country's economic capabilities.

7. CONCLUSION

Globalization of production provides benefits to consumers by increasing the variety of products and reducing their prices, but it also puts pressure on companies to lower their production costs due to global competition. Multinational corporations often employ unskilled labour, especially women and children, in developing countries under poor working conditions, low wages, and long working hours to reduce their production costs. This has led to increased consumer boycotts in developed countries. In the late 1960s, the public outrage over worker rights violations at Nike's production facilities led many civil society organizations to focus on the monitoring the commercial activities of the MNCs. These organizations raise consumer awareness on fundamental human rights, environmental and labour rights issues, and organize consumer boycotts. These initiatives have increased worldwide, particularly in developed countries, and many companies have developed their own corporate codes or collaborated with the civil society organizations to avoid being the target of such reactions.

However, the impact of consumer concerns on the behaviour of the multinational corporations is highly controversial. The MNCs that do not directly produce goods for consumption, but rather produce raw materials or intermediate goods, are much less affected by these reactions. This is because it is almost impossible for consumers to identify labour rights violations in the production stages of goods that involve thousands of different companies operating in various countries and sectors, but do not directly produce goods for consumption. Furthermore, the ratio of intermediate goods in global trade reaching twice the ratio of consumer goods makes it increasingly difficult for consumers to detect labour rights violations in the production process. Freeman criticized, at this point, the only thing consumers can do is rely on the corporate image of companies. However, the MNCs are criticized for deceiving

consumers that their codes of conduct are merely public relations campaigns. Indeed, there is no international institution to verify whether the faces shown by corporations to consumers are genuine. It is also known that developing countries ignore the behaviour of MNCs for the sake of short-term economic development. Human rights, labour standards and environmental violations are ignored for the sake of economic development and multinational companies shape social legislation as they wish.

On the other hand, the economic consequences of consumer concerns also limit the effectiveness of such reactions. The first, the increase in labour rights following such reactions will increase production costs, which will also increase the production cost of the product. In this case, the competitive advantage of this product will decrease compared to the other product that is produced without respecting workers' rights and has a competitive price in the market. Indeed, it is highly uncertain to what extent consumers can tolerate the "compensatory price difference". Due to the development of global trade, the variety of goods and services has increased tremendously all over the world. Therefore, where consumers are unwilling to bear the "compensatory price differential", they will easily access alternative products that are cheaper and most likely produced without respect for labour rights. Global competition brought about by globalization makes it increasingly difficult for companies to respect labour rights.

The second aspect of the economic dimension of the issue is whether labour rights in developing countries can be artificially raised. It is known that developing countries do not have the economic power to cope with the costs that will arise from the increase in labour rights. Moreover, if labour rights are raised, developing countries will lose their attractiveness for foreign investment and the low labour cost advantage, which is their only competitive advantage in the global trade. In addition, another factor limiting consumer reactions is the inadequate export performance of labour-intensive and low-value-added industries in developing countries. This means that consumer reactions from the international arena will be effective only for the limited industries that produce for global markets. Therefore, it can be said that there is a significant responsibility on the unions and the civil society organizations operating in developing countries. In conclusion, the shortcomings listed above regarding consumer reactions constitute a disadvantage in terms of limiting the behaviour of MNCs.

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