Backgrounders

Sweatshops and Globalization

by Radley Balko

"In a village in the Mekong delta in Vietnam a woman and her twelve-year old daughter sit all day in the shade from five in the morning until five in the evening making straw beach mats. For their labour they receive $1 a day."

"In China, workers at Wellco Factory making shoes for Nike are paid 16 cents/hour (living wage for a small family is about 87 cents), 11-12 hour shifts, 7 days a week, 77-84 hours per week; workers are fined if they refuse overtime, and they're not paid an extra rate for overtime hours."

Stories like these are common when we hear talk about "sweatshop" plants in the developing world. We hear worse, too -- terrible stories about women and children tricked into bondage, of union organizers getting beaten or killed, of terrible working conditions, long hours, and no bathroom breaks.

And yet American companies still operate low-wage factories - "sweatshops" - in developing countries. And there's still a copious source of labor in those countries eager to take the low-paying jobs western factories offer them.

So what's the story on sweatshops? Are they as bad as globalization critics claim they are? Should we boycott companies that operate them? Can they be stopped? Should they be stopped?

The Race to the Bottom

Globalization critics often cite sweatshops as a prime example of the "race to the bottom" phenomenon. A "race to the bottom" is what happens, they say, when world markets are opened to free, unfettered trade. Without transnational labor guidelines and regulations, big corporations will look to place factories and manufacturing plants in countries with the most relaxed environmental and -- for our purposes -- labor standards.

Developing countries then compete for the patronage of these companies by lowering labor standards -- minimum wages and workplace safety requirements, for example. The result: horrendous working conditions like those described above, and no state oversight to make the factories change them.

Critics of free trade say in some countries it's gotten so bad that companies have begun using slave labor, workers compelled to work unpaid by totalitarian governments eager to entertain western businesses.

In the book The Race to the Bottom, author Alan Tonelson describes the process while discussing the 1999 World Trade Organization protests in Seattle:

Internationally, WTO boosters faced an equally knotty dilemma. Most of the organization's third world members—or at least their governments—opposed including
any labor rights and environmental protections in trade agreements. They viewed low wages and lax pollution control laws as major assets they could offer to international investors—prime lures for job-creating factories and the capital they so desperately needed for other development-related purposes. Indeed, they observed, most rich countries ignored the environment and limited workers' power (to put it kindly) early in their economic histories. Why should today's developing countries be held to higher standards?

Tonelson goes on to say that it is workers, then, who must shoulder globalization’s burdens, while western companies win cheap labor, western consumers win cheap sneakers and straw hats, and corporate CEOs win eight-figure salaries. And, Tonelson and his supporters argue, it’s not just third-world workers. Western workers lose when factories in the U.S. close down, and migrate overseas in search of laborers willing to work for poverty wages.

Critics say sweatshops are a way for corporations to exploit the poverty and desperation of the third world, while allowing them to circumvent the living wages, organization rights, and workplace safety regulations labor activists have fought long and hard for in the west.

**What of Sweatshop Workers?**

When *New York Times* journalists Nicholas Kristof and Sheryl Wudunn went to Asia to live, they were outraged when they first arrived at the sweatshop conditions Asian factory workers worked under. Like most westerners, the thought of 14+ hour shifts six or seven days a week with no overtime pay seemed unconscionable.

After spending some time in the region, however, Kristof and Wudunn slowly came to the conclusion that, while regrettable, sweatshops are an important part of a developing nation's journey to prosperity. The two later documented the role of sweatshops in emerging economies in their book *Thunder from the East*. Kristof and Wudunn relay one anecdote that helped them reach their conclusion in the *New York Times*:

One of the half-dozen men and women sitting on a bench eating was a sinewy, bare-chested laborer in his late 30's named Mongkol Latlakorn. It was a hot, lazy day, and so we started chatting idly about the food and, eventually, our families. Mongkol mentioned that his daughter, Darin, was 15, and his voice softened as he spoke of her. She was beautiful and smart, and her father's hopes rested on her.

"Is she in school?" we asked.

"Oh, no," Mongkol said, his eyes sparkling with amusement. "She's working in a factory in Bangkok. She's making clothing for export to America." He explained that she was paid $2 a day for a nine-hour shift, six days a week.

"It's dangerous work," Mongkol added. "Twice the needles went right through her hands. But the managers bandaged up her hands, and both times she got better again and went back to work."

"How terrible," we murmured sympathetically.
Mongkol looked up, puzzled. "It's good pay," he said. "I hope she can keep that job. There's all this talk about factories closing now, and she said there are rumors that her factory might close. I hope that doesn't happen. I don't know what she would do then."

Globalization's proponents argue that sweatshops, for all their unseemliness, often present developing laborers the best-paid jobs with the best working environment they've ever had; often their other options are begging, prostitution, or primitive agriculture.

Removing the best of a series of bad options, they say, does nothing to better the plight of the world's poor.

**Boycotts and Bans**

Anti-sweatshop organizations have achieved an impressive level of organization and influence in the last several years. Campus groups have persuaded university administrators at dozens of colleges around the country to refuse to buy school apparel from companies who use sweatshop labor. The activists demand that corporations pay a "living wage" and agree to international monitoring, or face the loss of collegiate licensing privileges -- which amount to some $2.5 billion in annual revenue for the likes of Nike, Reebok and Fruit of the Loom.

So far, evidence has shown that boycotts and public pressure do get results, but perhaps not the kinds of results that are in the best interests of sweatshop workers.

Free traders argue that instead of providing better working conditions or higher wages, which had until then offset the costs of relocating overseas, western companies respond to public pressure by simply closing down their third world plants, or by ceasing to do business with contractors who operate sweatshops.

The result: thousands of people already in a bad situation then find themselves in a worse one.

In 2000, for example, the BBC did an expose on sweatshop factories in Cambodia with ties to both Nike and the Gap. The BBC uncovered unsavory working conditions, and found several examples of children under 15 years of age working 12 or more hour shifts.

After the BBC expose aired, both Nike and the Gap pulled out of Cambodia, costing the country $10 million in contracts, and costing hundreds of Cambodians their jobs.

There are lots more examples like that one.

- In the early 1990s, the United States Congress considered a piece of legislation called the "Child Labor Deterrence Act," which would have taken punitive action against companies benefiting from child labor. The Act never passed, but the public debate it triggered put enormous pressure on a number of multinational corporations. One German garment maker that would have been hit with trade repercussions if the Act had passed laid off 50,000 child workers in Bangladesh. The British charity organization Oxfam later conducted a study which found that thousands of those laid-off children later became prostitutes, turned to crime, or starved to death.

- The United Nations organization UNICEF reports that an international boycott of the Nepalese carpet industry in the mid-1990s caused several plants to shut down, and forced thousands of

http://www.aworldconnected.org/article.php?id=525&print=1
Nepalese girls into prostitution.

- In 1995, a consortium of anti-sweatshop groups threw the spotlight on football (soccer) stitching plants in Pakistan. In particular, the effort targeted enforcing a ban on sweatshop soccer balls by the time the 1998 World Cup began in France. In response, Nike and Reebok shut down their plants in Pakistan and several other companies followed suit. The result: tens of thousands of Pakistanis were again unemployed. According to UPI, mean family income in Pakistan fell by more than 20%.

In his book *Race to the Top*, journalist Tomas Larsson discussed the Pakistani soccer ball case with Keith E. Maskus, an economist at the University of Colorado:

"The celebrated French ban on soccer balls sewn in Pakistan for the World Cup in 1998 resulted in significant dislocation of children from employment. Those who tracked them found that a large proportion ended up begging and/or in prostitution."

In response, several activist groups have stopped calling for boycotts, and have since started calling for pressure from the governments in whose countries the multinational corporations call home. Still, free traders argue, companies make decisions that are in the best interests of their shareholders and investors, and so if locating overseas isn't offset enough by cheap labor to make the investment worthwhile, companies will merely chose not to invest, costing poor countries thousands of jobs.

**Are Sweatshops a Stop on the Road to Prosperity?**

In his book, Larsson also argues that poor labor standards are usually symptomatic of other problems in a developing country, and that in the long run, they are in fact a disadvantage to that country's ability to compete in the international economy. "It is not...countries with the worst human rights records that top the annual rankings of national competitiveness," Larsson writes, "and it is certainly not the countries with the lowest wages and least protection for workers that dominate export markets, or attract the lion's share of foreign direct investment."

Every prosperous country today was once mired in "developing" status. And every prosperous country today once employed child labor in its economic adolescence that would today be considered "sweatshop" working conditions. That includes Britain, France, Sweden, Germany and the United States. Only with the prosperity brought by international trade, globalization's adherents say, can a country then afford to demand better working conditions for its workers.

The economist and syndicated columnist Thomas Sowell writes:

Half a century ago, public opinion in Britain caused British firms in colonial West Africa to pay higher wages than local economic conditions would have warranted. Net result? Vastly more job applicants than jobs.

Not only did great numbers of frustrated Africans not get jobs. They did not get the work experience that would have allowed them to upgrade their skills and become more valuable and higher-paid workers later on.

Today of course, West Africa is still mired in poverty. Contrast Africa to Hong Kong, or to Taiwan, two countries that embraced an influx of foreign investment, and made a leap to prosperity in just 25 years that took most European countries nearly a century.
Kristof and Wudunn likewise point out that fifty years ago, countries like India resisted allowing foreign investment, while countries like Taiwan and South Korea accepted it -- including the poor working conditions that came with it. Today, Taiwan and South Korea boast modern, well-educated, first-world economies. India has become more amenable to investment in the last several years -- and its economy has shown promise in response. But for decades, India's refusal to accept foreign "exploitation" wrought wide scale poverty and devastation.

In his book In Defense of Global Capitalism, Swedish public policy expert Johan Norberg notes that although India still battles poverty, its improving economy has shrunk its proportion of child laborers from 35% in the 1950s to just 12% in the last few years. Norberg further writes that the burgeoning economies in East and Southeast Asia may enable most of the countries in that region to eliminate child labor altogether by 2010.

Globalists also point out that the modern world economy and its interconnectivity makes it possible for a country to make the transition from an economy where child labor is a necessity to an economy that can afford to ban it in a period of time never before contemplated.

Kristof notes that from the onset of the Industrial Revolution, it took Great Britain 58 years to double its per capita income. In China -- where sweatshops are prevalent -- per capita income doubles every 10 years. In the sweatshop-dotted southern province of Dongguan, China wages have increased fivefold in the last few years. "A private housing market has appeared," Kristof writes of Dongguan, "and video arcades and computer school have opened to cater to workers with rising incomes...a hint of a middle class has appeared."

The anti-sweatshop activists response to these arguments says that because the west has wealth and prosperity, it is the west's responsibility to bring the developing world into modernization without exploiting its laborers. Multi-national corporations can still secure comfortable profit margins without paying miniscule wages, forbidding union organization, and forcing long hours with overtime. As Kevin Danaher of the activist group Global Exchange writes, "Should trade agreements be designed largely to benefit corporations, or should they instead put social and environmental concerns first?"

But free trade advocates say that cheap labor is the one commodity developing nations can offer that first world countries can't. Force corporations to pay artificially high wages in those countries, they say, and there's no incentive for a company to endure the costs of shipping, construction, and risk that come with installing plants overseas. If corporations don't invest, those third world laborers again get forced back into the fields, the alleys, the brothels, and the black market. Better to endure the discomfort of poor working conditions in the short run, so that these countries can begin to build the economies that will enable them to demand better working conditions in the long run.

Common Ground?

In the end, there are at least a few areas in which both free traders and anti-sweatshop crusaders can agree. Most free trade advocates agree, for example, that benefiting from slave labor is no better than theft. Sweatshop workers are often the envy of their communities -- they make more money than the farmhands or beggars, for example. But it's important that they're working in factories of their own free will. The key to building prosperity is choice, and if workers don't have the option to quit, or to take a job with a factory across town offering better wages, the "free" in "free trade" is a misnomer, and the benefits of globalization are tainted.
Likewise, free traders and anti-globalization activists usually agree that human rights violations should be documented, and that perpetrators of such violations should be publicized and embarrassed. If in its desire to attract foreign investment a government refuses to police a sweatshop factory where women are being forced into sexual favors, or where union organizers get beaten, it’s certainly acceptable -- in fact it’s imperative -- that that government be held accountable in the international community.

The fundamental disagreement in the sweatshop debate seems to be whether or not it’s fair for big western companies to benefit from cheap labor in the developing world. Globalists say that menial manufacturing labor is the historical first step in a developing economy’s first steps toward prosperity. Sweatshop activists say western corporations can afford to pay artificial "living" wages, and that anything less reeks of exploitation. They further argue that if corporations aren’t willing to offer better working conditions on their own, western governments should penalize them, and consumers should refrain from buying their products. Globalists argue that if that happens, corporations would have no incentive to invest in the third world in the first place.

As trade barriers continue to fall, developing countries will continue to chose one track or the other -- to embrace foreign investment, or to demand wages not proportional to what their national labor market would naturally allow. Which track delivers prosperity and which track produces continued poverty will lend clues as to who’s winning the debate.

Further Reading

Global Exchange - An advocacy group that promotes "fair trade" in lieu of "free trade."


Sweatshops.org - Co-op guide to ending America’s sweatshops and encouraging "fair trade."

United Students Against Sweatshops - Clearinghouse website for campus anti-sweatshop activists.


David R. Henderson - A Hoover Institution scholar and economist who frequently opposes movements to end sweatshops in the developing world.

Between a Rock and a Hard Place - A Smithsonian Institution history of American sweatshops.

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