Foreign Direct Investment in Developing Countries in the Asia-Pacific Region: The Challenge to Multinationals, Labor and Public Policy Makers

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In an ever increasingly competitive global market place, multinational companies (MNCs) have sought to both penetrate the emerging markets of developing countries and take advantage of the low cost opportunities inherent in the national business and industrial relations systems of developing countries. As such, foreign direct investment (FDI) in developing countries has increased from approximately U.S.$241 billion in 1980 to over U.S.$2.2 trillion by 2000 (*World Investment Report*, 2001, Table B.3). Although the more highly developed countries of the world still account for 67% of all inward FDI, there has been a steady shift toward FDI in developing countries since 1980, when developed countries then accounted for 82% of all inward FDI. FDI, furthermore, now accounts for some 66% of total capital investment available to developing countries, representing a dramatic increase over the mere 5% of total capital investment available to developing countries as of the early 1980s (Köhler, 2002). It is apparent, therefore, that many developing countries have become highly dependent on FDI as an engine of growth and opportunity for development.

The dramatic shift in the importance of FDI, of course, has raised a host of issues regarding employment opportunities not only in developing host countries but, likewise, in the highly developed countries home to most MNC investors. The purpose of the present analysis is to lay out a highly simplified but fairly comprehensive and coherent framework as a conceptual guide toward understanding the complexity of workplace and labor-management issues arising from MNC and union behavior and influenced by different environmental and public policy contexts. Within this framework, I first address MNC FDI and human resource management/labor relations (HRM/LR) strategic decision-making within the broader global economic and socio-

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political environment. Second, I summarize FDI patterns (highlighting recent flows of FDI to developing nations and across the Asia-Pacific region) and the effects of industrial relations (IR) systems on FDI. Third, given the diminishing power of organized labor in a global marketplace, I address transnational inter-union activities that influence employment and workplace outcomes both through narrower industrial action and broader socio-political action. As treated herein, the success of such strategies is a function of relative and total organizational power. Based on this model of power, I conclude by highlighting the challenge faced by public policy makers in developing countries in their dual quests to attracting FDI and promoting decency and fairness in the workplace.

A General Framework

MNC Strategies

As diagrammed in Figure 1, MNC business and configuration strategies are shaped by the larger economic and socio-political environment. Toward optimizing profitability, MNCs are driven to choose that combination of internal and external market options that offer the greatest market opportunities and the lowest costs. By including FDI as part of broader configuration strategies, firms seek to reduce external market transaction costs through maintaining internal control of foreign operations. Decisions to internalize some operations via FDI are a function of firm-specific or ownership advantages (Hymer, 1976; Buckley and Casson, 1976). Decisions about where and how much to invest across alternative locations (given potential ownership advantages) is, additionally, a function of comparative location advantages (Dunning, 1993). All else the same, those foreign locations offering more advantage in terms of lower operational costs and greater ease in diffusing or creating ownership advantages attract greater FDI.

A wide range of economic and socio-political factors influence MNC choices about operational configurations. Among economic market factors affecting these choices are relative differences in (1) market size, wealth, growth and proximity between parent headquarters, subsidiaries, customers and suppliers, (2) availability and access to capital, R&D and natural resources, (3) transportation, telecommunications and utility infrastructures, (4) labor skills and compensation costs and (5) currency valuations. As these factors decrease or increase either the market opportunities to exploit ownership advantages or the transaction costs associated with FDI vis-à-vis domestic investment, trade and other options, MNCs will choose to invest more or less abroad.

Either directly or indirectly via effects on market factors, differences in socio-political factors across locations, likewise, influence choices about operational configurations. Socio-political factors of importance include differences in government taxation, various incen-

tives and disincentives to investment, tariffs and related trade barriers. Differences in IR systems, cultures, languages and political or social stability also influence MNC choices. Given potential constraints arising out of the socio-political context, MNCs, of course, have incentive to press for changes in public policy favorable to their profit optimizing objectives.

IR Systems

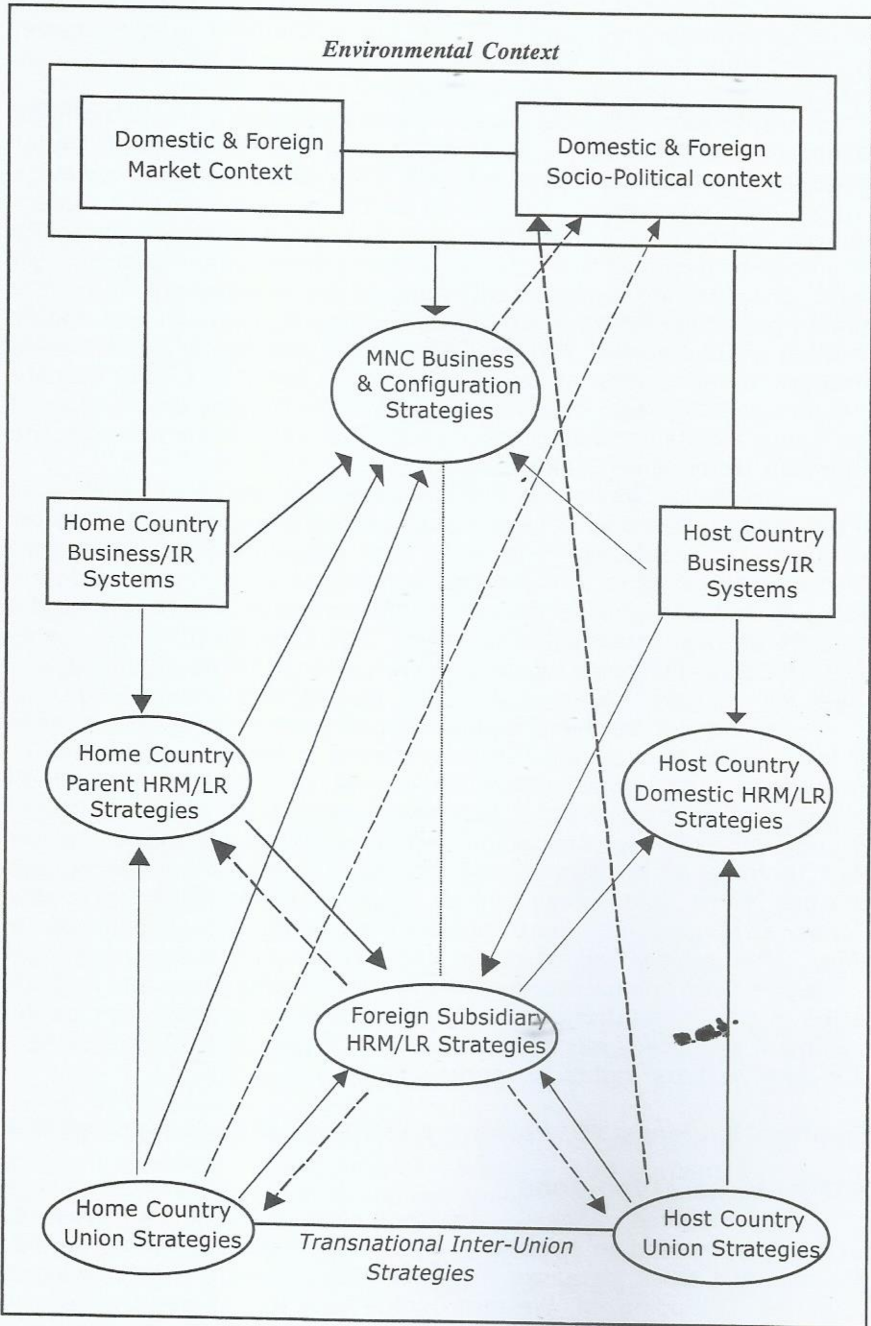
In configuring their global operations, MNCs weigh the comparative advantages of their home country IR systems to alternative host country IR systems. The greater or lesser the comparative labor cost advantage of home IR systems vis-à-vis alternative host IR systems (*ceteris paribus*), the less or more MNCs invest abroad and the more or less they invest at home and export abroad. In addition to direct compensation costs for skills required, unit labor costs are a function of government workplace regulations and policies that (1) restrict employer freedom to set terms and conditions of employment and (2) impose significant transaction costs on making adjustments to terms and conditions of employment. An important additional dimension of IR systems that influences MNC configuration strategies are potential costs associated with union representation and collective bargaining. On assessing potential net disadvantages or advantages of union representation and collective bargaining across home and alternative host locations, MNCs will invest more in those locations where perceived net disadvantages are lower or net advantages are higher.

As diagrammed in Figure 1, home country IR systems, furthermore, influence parent domestic HRM/LR strategies. In particular, the kinds of government workplace regulations and collective bargaining contexts described above, along with cultural norms, can be expected to shape domestic HRM/LR strategies deployed. Depending on these various kinds of characteristics underlying IR systems, employers are more or less able to develop HRM/LR ownership advantages at home. MNCs enjoying HRM/LR ownership advantages at home have incentive to exploit such advantages abroad. MNCs lacking HRM/LR ownership advantages at home because of constraints placed on them by their home IR systems have reason, nonetheless, to attempt to create such advantage abroad under more flexible IR systems. The ease with which MNCs can either diffuse or create HRM/LR ownership advantages abroad, however, is dependent in part on the IR systems of host countries.

Union Strategies

As diagrammed in Figure 1, union strategies also influence both MNC configuration strategies and HRM/LR strategies, directly and indirectly. With respect to home country union strategies, unions first affect parent domestic HRM/LR strategies through the exercise of relative power via contract negotiations and administration. As such,

Figure 1. An Analytical Framework



unions partially determine whether or not domestic HRM/LR strategies yield competitive advantage. To the extent that unions enhance (diminish) company performance at home, MNCs have greater reason to invest more (less) at home than abroad, relying more (less) heavily than otherwise on trade than on FDI.

With respect to host country union strategies, unions first need to organize a subsidiary's employees or at least bring them under centralized bargaining structures with extensions of union coverage to non-union companies. Depending on the host country's IR system and the degree to which MNCs engage in union avoidance, the ability of unions to organize subsidiaries or bring them under contract will vary. On achieving representation, unions are in a position to modify foreign subsidiary HRM/LR strategies, the degree to which is a matter of union relative power. With respect to union avoidance, recent trends in union representation of foreign affiliates in the U.S. clearly indicate that foreign MNCs from nearly all major investor countries have adopted the union avoidance and deunionization culture prevalent within the American IR system (Cooke, 2001a).

Explaining why some MNCs have been more or less successful in diffusing preferred HRM/LR practices abroad is the exercise of power manifested in resistance by targeted local recipients of such diffusion. The wide range of local responses appears to be a factor of differences in cultures and norms regarding workplace practices and the capacity of local constituents to resist. The capacity to resist, moreover, is clearly bolstered by the relative power of union organizations. (See, for example, Martin et al., 2002; Kenney and Tanaka, 2002.)

Where unions have gained representation, MNCs have more or less reason to maintain their investment in foreign subsidiaries or attempt to marginalize unions depending on the degree to which unions enhance or diminish subsidiary performance. Given the ability of some MNCs to whipsaw unions across countries via explicit or implicit promises of investment and threats of divestment or movement of work, some unions may embark on more cooperative or concessionary strategies intended to protect the livelihood of their membership. Alternatively, unions could also attempt to forge transnational strategies with unions representing a MNC's home sites and subsidiaries in other countries and otherwise attempt to influence public sentiment and policy more broadly in ways favorable to their membership and workers' rights to representation.

Empirical Evidence: FDI Patterns and Effects of IR Systems on FDI

FDI Patterns (1990-2000)

As reported in Table 1, worldwide inward FDI stock increased, on average, more than 23 percent annually over the 1990-2000 period. Whereas FDI stock increased just over 200 percent across developed countries (including in Western Europe and the United States), it

Table 1. FDI Inward Stock Worldwide and in the Asia-Pacific Region, 1990-2000 (U.S. $ billions)

Region/Country	1990	2000	% Change 1990-2000
Worldwide	1,888.7	6,314.3	234%
Developed Countries	1,398.0	4,210.3	201%
Developing Countries	487.7	2,104.0	331%
U.S.A.	394.9	1,238.6	214%
Western Europe	786.6	2,501.5	218%
Latin America	116.7	606.9	420%
Africa	48.6	148.0	205%
Asia and Pacific	348.3	1,465.4	321%
China	24.8	346.7	1298%
Hong Kong (China)	162.7	469.8	188%
India	1.2	19.0	1483%
Indonesia	38.9	60.6	56%
Korea (Rep. Of)	5.9	42.3	617%
Malaysia	10.3	53.3	418%
Philippines	3.3	12.7	285%
Singapore	28.6	89.3	212%
Taiwan	9.7	27.9	188%
Thailand	8.2	24.2	195%

Source: *World Investment Report, 2001* ; Annex table B.3, pp. 301-06

increased more than 330 percent across developing countries over the last decade. Among developing regions, Latin America received the largest proportional increase at 420 percent, followed by the Asia and Pacific region at 321 percent, and Africa at 205 percent. In absolute terms, however, the Asia-Pacific region attracted twice as much FDI ($1,117 billion) as the Latin American region ($490 billion) and eleven times as much as all of Africa ($100 billion).

To put in perspective FDI trends across the leading developing and newly industrialized countries of the Asia-Pacific region, reported in Table 1 are FDI data by selected countries. As shown, China and Hong Kong have received the lion's share of FDI since 1990; an extraordinary surge totaling U.S.$629 billion, reflecting a near 1300 percent increase in mainland China and a 190 percent increase in Hong Kong. With regard to the remaining major host countries in the Asia-Pacific region, Singapore, Indonesia, Malaysia, and Republic of Korea are dominant recipients of inward FDI. With the exception of Indonesia, all countries, nonetheless, have enjoyed substantial rates of growth in FDI since 1990.

Effects of IR Systems on FDI

Several recent analyses have identified a wide range of IR system factors that appear to have a substantial influence on the distribution of FDI across countries, including differences in compensation costs for skill levels sought, government workplace regulations and collective bargaining contexts. With respect to compensation costs, MNCs can be expected to invest more in countries in which compensation costs are lower for given levels of skill and productivity sought. Efficiency-seeking MNCs that can readily staff operations with unskilled workforces, however, will look to invest across low-skill, low-wage countries. As efficiency-seekers, MNCs will invest more in countries with the lowest compensation costs, giving limited weight to differences in skills and productivity. In contrast, market-seeking MNCs whose operations require a mix of various skill levels will give substantial weight to differences in the skills and productivity of host country workforces. Unit labor costs are also determined in part by government workplace regulations and policies restricting an employer's freedom or imposing significant transaction costs on employers when making adjustments in the terms and conditions of employment.

FDI decisions are influenced, furthermore, by the potential effects of union representation and collective bargaining on unit labor costs. Potential costs include higher current and future compensation costs, more restrictive workplace practices, greater divisions between labor and management, disruptions through strikes and lockouts, and greater transaction costs incurred through negotiations and contract administration than otherwise would be incurred in non-union enterprises. Hence, unless MNCs view union representation and collective bargaining as adding value equal to or greater than potential costs, MNCs will seek to avoid union representation and collective bargaining. In calculating any net disadvantages, MNCs will also consider the likelihood of being organized by unions and the transaction costs associated with avoiding or marginalizing unions.

On comparing several recent empirical analyses that I have authored or co-authored, considerable evidence is found that IR system factors shape FDI decisions. I have summarized the findings of these empirical inquiries in Table 2. Based on four different samples of data, in which FDI is measured either as accumulated assets or ratios of assets expended across countries and made by both U.S.-based and foreign-based MNCs, the results are highly consistent across analyses. Reported in Table 2 are positive and negative signs indicating the direction of relationships and the levels of statistical significance for each of the IR system variables regressed against the respective dependent variables identified. Given space limitations and to avoid burdening readers with considerable detail, I forego discussing the magnitude of estimated coefficients. (As discussed in each article, the estimated effects are quite substantial.) For ease of

presentation, I have also excluded the signs and significance levels of the control variables included in each regression model. Each regression estimate, nonetheless, included salient control variables using various measures for market size and wealth, proximity between home and host countries, taxation, FDI incentives, exchange rate trends, language differences and, where possible, industry.

Across the four studies, average years-of-education (treated as a rough proxy for differences in skills available and worker productivity) is found to be positively associated with FDI. The exception is found in regard to FDI in low-skill developing countries in which U.S. MNCs seek out the lowest-skilled workforces, arguably in the search for ever lower compensation costs when differences in skills are inconsequential to performance. Controlling for average education differences and compensation per unit of education, compensation costs are found to be negatively and highly significantly associated with FDI. When compensation costs per education are not controlled for, however, the association between FDI and compensation costs yielded mixed results. A plausible explanation for the various findings regarding compensation costs is that education differences do not fully capture skill and productivity differences. Since compensation is generally highly correlated with skill and productivity, differences in compensation costs can be expected to be capturing unobserved differences in skills and productivity.

With respect to collective bargaining contexts, several variables are found to be associated with FDI. First, union penetration in a country as measured by the percent of all wage and salary employees belonging to unions, is consistently negatively and statistically significantly related to FDI. Second, it is found that MNCs invest less than they would otherwise in countries characterized by negotiation structures centralized beyond company-wide levels. In the two studies reported in Table 2 that examine FDI made by MNCs from high-skill OECD countries, centralized bargaining structures in combination with extensive union contract coverage are also found to be negatively and significantly associated with FDI decisions. Finally, statistically significant evidence is found that MNCs invest less in countries in which lost days due to work stoppages are greater. One needs to be cautious, however, about the confidence placed in this latter result given inherent limitations in the measurement of union-management conflict and that such a measure was only included in one of the four studies summarized in Table 2.

With respect to government workplace regulations, restrictions on the layoff of workers (whether treated independently or in combination with works council requirements) are negatively associated with FDI in four studies. With regard to the effects of works council policies on FDI, the results are mixed. In the two latter studies, works council policies (in combination with government layoff restrictions) are found to be negatively related to FDI. In the first two

Table 2. Summary of results of cross-sectional analysis of the effects of IR systems variables on FDI

Variables	Cooke, 1997	Cooke & Noble, 1998	Cooke, 2001,a	Cooke, 2001,b
Dependent Variables	U.S. 1989 FDI assets by 2-digit industry across 19 OECD countries. N=126.	U.S. 1993 FDI assets & employment by 2-digit industry across 33 developed and developing countries. N=244 and 254	1994 ratio of FDI in the U.S. to FDI in country j made by 15 high-skill OECD countries. N=151	1994 ratio of FDI in country i to FDI in country j made by and across 16 high-skill OECD countries. N=1021
Education & Compensation				
Yrs. Education	(+ , ≤ .05 level)	(+ , ≤ .01 level for high skill countries.) (– , ≤ .01 level for low skill countries.)	(+ , ≤ .05 level)	(+ , ≤ .01 level)
Compensation	(– , insignificant)	(+ , ≤ .01 level)	(– , ≤ .01 level)	(– , ≤ .01 level)
Compensation per Year of Education	Not included.	Not included.	(+ , ≤ .01 level)	(+ , ≤ .01 level)
Collective Bargaining Contexts				
% Union Membership	(– , ≤ .01 level)	(– , ≤ .01 level)	(– , ≤ .05 level)	(– , ≤ .05 level)

Table 2. Summary of results of cross-sectional analysis of the effects of IR systems variables on FDI (Continuation)

Variables	Cooke, 1997	Cooke & Noble, 1998	Cooke, 2001,a	Cooke, 2001,b
Centralized Bargaining	(– , ≤ .01 level)	(– , ≤ .05 level)	Included as combination.	Included as combination
Centralized Barg. With ≥ 50 % Union Coverage	Not included.	Not included.	(– , ≤ .01 level)	(– , ≤ .01 level)
Lost Days Due to Work Stoppage	Not included.	Not included.	Not included.	(– , ≤ .05 level)
Government Workplace Regulations				
Layoff Restrictions	(– , ≤ .01 level)	(– , ≤ .05 level)	Included as combination.	Included as combination.
Work Councils	(+ , ≤ .01 level)	(+ , ≤ .01 level)	Included as combination.	Included as combination.
Layoff Restrict. & Work Councils	Not combined.	Not combined.	(– , ≤ .05 level)	(– , ≤ .05 level)
Control Variables				
Various controls for market size and wealth, proximity to hosts, taxation, FDI incentives, exchange rate trends and language differences included in all regression models.				

Sources: Cooke, 1997, *Industrial & Labor Relations Review*; Cooke & Noble, 1998, *British Journal of Industrial Relations*; Cooke, 2001,a, *Employee Relations Journal*; Cooke, 2001,b, *International Journal of Human Resource Management*.

studies which studied only U.S. FDI abroad, however, works councils are positively associated with FDI decisions. One plausible explanation for this finding is that U.S. MNCs have found works councils as useful avenues to offsetting union strength in countries in which centralized bargaining and contract coverage are widespread. In contrast, MNCs from other highly industrialized countries (the majority of which have works councils policies) apparently view works councils as imposing greater restrictions on management discretion than offering avenues to marginalize unions.

In summary, FDI in the Asia-Pacific region over the last decade has far exceeded that in other developing regions of the world, albeit China has reaped the lion's share. As shown more generally, the greater the presence of unions, the more centralized the collective bargaining structures, and the more restrictive government employment and workplace regulations, the lower the inward FDI (all else being equal). One can surmise, therefore, that developing countries heavily dependent on attracting FDI, yet eager to improve working conditions face a significant challenge in achieving both objectives. I next develop a model of power in an effort to more fully understand this inherent dilemma.

Employment and Workplace Outcomes: The Role of Power

Relative and Total Organizational Power

I begin with making two admittedly over-simplified theoretical assumptions: namely, MNCs seek to act in ways *perceived* as optimizing profits and unions seek to act in ways *perceived* as optimizing gains to workers. These assumptions require that both employers and unions generally act rationally in their pursuit of optimizing gains. Optimization of gains is bounded, however, by the constraints placed on each by the environmental contexts within which the parties operate and by the limits of the relative power either party can exercise. The degree to which the parties act rationally, of course, has limits. Inherent limitations to having full information and knowledge, and global market uncertainty (if not volatility) limit a party's ability to predict accurately and, hence, make longer-term rational decisions. In addition, given the complexity of organizations, comprised of various stakeholders with varying priorities and influence within organizations, both employers and unions will undoubtedly make some decisions inconsistent with rational optimizing behavior for their organizations.

With these limitations to rational optimizing behavior in mind, competition in the global market place, nonetheless, will reward those parties that act more rationally within given market and socio-political contexts and penalize those that act less rationally in pursuing their objectives. Given these basic assumptions of organizational behavior and the broader framework set out earlier, the role of power plays a

central role in determining employment and workplace outcomes. In particular, the extent to which either employers or unions optimize gains can be viewed as a function of both *relative* and *total* organizational power (Cooke, 1990; Chapter 2).

Given that there are inherent conflicts of interests between labor and management over the distribution of wealth and the means of generating such wealth, there is always some degree of conflict or confrontation between labor and management. That party that can exercise greater relative power, in turn, has greater say over the creation and distribution of wealth. Labor and management, however, also share a common interest in maximizing wealth from which both parties can optimize their respective gains. The ability of an organization to maximize wealth is dependent on its capacity to outperform competitors in the marketplace. That capacity is a function of what I call "total organizational power", which is the ability of an organization to extract from its environment the kind and magnitude of benefits sought.

Toward optimizing gains, therefore, both labor and management must assess whether more can be gained from pursuing cooperative labor-management relations strategies fashioned to increase total organizational power or, alternatively, more can be gained by exercising relative power alone. If both parties perceive that greater gain can be achieved by increasing total organizational power than by exercising relative power alone, both parties have reason to pursue cooperative labor-management strategies, equitably sharing the added gain resulting from cooperation. If either party, however, perceives that greater gain can be achieved by exercising relative power alone, then cooperative strategies will not be pursued. Consequently, it is this exercise of relative and total organizational power, as constrained by the environment and limitations to rational organizational behavior, that determines employment and workplace outcomes.

Toward understanding the role of power, Chamberlain's definition provides a useful basis on which to build.

> [I]f the cost to B of disagreeing on A's terms is greater than the cost of agreeing on A's terms, while the cost to A of disagreeing on B's terms is less than the cost of agreeing on B's terms, then A's bargaining power is greater than B's. (Chamberlain, 1951:p. 221)

Chamberlain's definition focuses on the costs of agreeing and disagreeing on the other party's terms in determining which party at any point in time can exercise greater relative power to optimize the outcomes it seeks. Chamberlain's definition, nonetheless, also provides the basis for the parties to consider working cooperatively toward maximizing total organizational power and, hence, total gain. That is, if each party offers terms to the other party that increase total orga-

nizational power and, consequently, entail lesser cost (or greater gain) to agreeing than disagreeing, then rational parties will work cooperatively to increase total organizational power. The notion of relative and total organizational power can be further extended in a slightly modified form to also apply to transnational inter-union cooperation. That is, where such cooperation can increase the total organizational power of cooperating unions to the point that the relative power of each participating union vis-à-vis the companies they represent is enhanced, unions across borders have reason to forge transnational strategies.

The degree to which the relative power of labor or management is greater or lesser is a function of the sources of power available to each at any point in time. (See Cooke, 2002, Chapter 19 for a fuller explanation.) The sources of power are derived from external economic and socio-political environments, as well as from internal organizational capacities. Government employment and workplace regulations, therefore, influence the balance of relative power of both labor and management. Policies and regulations that generally favor either management or labor minimize the likelihood that the relative power of labor and management will be balanced in such a way that labor and management will work more cooperatively to optimize total organizational power and total gain. Hence, public policy makers are faced with the choice of either shaping their national IR systems (a) to favor management or labor (which essentially further divides labor and management) or (b) to avoid favoring management or labor (which encourages labor and management to pursue more cooperative strategies).

Transnational Inter-Union Cooperation

With the above general model of the role of power in mind, I next address the challenge to organized labor of enhancing its diminishing relative power on a transnational basis. Given today's rapidly changing global marketplace and restructuring of industries, it would appear that strategy coordination of unions across borders would be critical to bolstering the relative power of unions. As such, the success of organized labor in bolstering its relative power on a transnational basis is dependent on its ability to forge transnational inter-union partnerships for the purposes of (1) engaging in direct transnational collective bargaining with MNCs and (2) altering the IR systems of countries that do not protect the rights of workers to freely engage in collective bargaining and do not otherwise promote decency and fairness in the workplace.

With few exceptions, however, (see Gennard and Ramsay, 2002; Blyton *et al.*, 2001) there is a very limited degree of cooperation that has led to transnational inter-union strategy coordination focused on collective bargaining with MNCs (Cooke, 2002, Chapter 19). The barriers to creating such alliances have been classical ones (Gennard

and Ramsay, 2002). First, unions in different countries have evolved differently with regard to strategic orientations and identities (Hyman, 1999) and, hence, their organizational priorities, structures, governance, policies, practices and customs differ (sometimes quite sharply). Second, there are marked differences in the IR systems and welfare policies between countries. Given a generally deep-rooted desire for organizational autonomy and national identity among unions, these kinds of differences have presented serious organizational challenges to national unions in finding common ground and workable accommodations on setting priorities and practical mechanisms for pursuing coordinated collective bargaining strategies across countries. What would appear to be the most critical factor impeding the development of transnational inter-union collective bargaining strategies is the lack of a framework under which unions would sacrifice or gain more or less as a result of the restructuring of sectors and reconfiguration of MNCs. Without finding a workable solution to this inherent dilemma for unions across countries, unions have little cause to pursue transnational collective bargaining strategies. Viewing each other as competitors for work, at the heart of this issue is the perception that the potential gain to one union is the potential loss to other unions as MNCs explicitly or implicitly pit one location against others via FDI whipsawing. A workable strategy will require, therefore, that each union perceive greater gain or lesser cost to such cooperation than any one union perceives it would achieve or incur without inter-union cooperation. The challenge before unions, consequently, is to forge strategies that each union perceives as maximizing its relative power vis-à-vis the site management it negotiates with. Such strategies will necessarily need to incorporate agreements in which the potential loss of employment or income to any given national or local union is less that it would be absent inter-union cooperation.

A second major obstacle to forging meaningful transnational collective bargaining strategies is non-union competition within and across MNCs. Without having all sites of MNCs represented by unions and with the increasing opportunity for MNCs to establish or acquire non-union sites through FDI decisions, the total organizational power underlying inter-union partnerships is especially limited. Therefore, it becomes imperative that unions incorporate into their transnational collective bargaining strategies concerted efforts at organizing, especially those locations that serve as essential links within given MNC value chains in which they are embedded. Critically, along these lines, unions must focus their organizing strategies on the subsidiaries and local suppliers of MNCs in developing countries.

In general, union penetration in the developing and newly industrializing economies of the Asia-Pacific region are among the lowest in the world. Indeed, as reported in Table 3, penetration is a mere 1-2 percent in Indonesia and Thailand, only 4 percent in India, and just 8 percent in Malaysia. Only in Hong Kong and Taiwan is penetra-

tion more than 20 percent. Unlike in many countries, however, penetration has remained fairly stable over the last decade for nearly all countries identified in Table 3.

Table 3. Trends in Union Membership Penetration: Asia-Pacific Region

Union Membership as % of Total Workforce		
Country	**1990-94[a]**	**2000[b]**
China*	16%	<20%
Hong Kong	20%	22%
India	5%	4%
Indonesia	3%	na
Korea (Rep. of)	8%	12%
Malaysia	10%	8%
Philippines	11%	11%
Singapore	14%	16%
Taiwan	35%	30%
Thailand	2%	2%

[a] Martin Rama and Raquel Artecona, 2000, "A Database of Labor Market Indicators Across Countries", World Bank.

[b] *Country Reports on Human Rights Practices - 2001*, U.S. Department of State. (www.state.gov)

* Based on the private sector estimates.

The opportunity to create transnational inter-union partnerships that include unions in the Asia-Pacific region, nonetheless, is fairly limited. Exacerbating this opportunity is the lack of trade union history and organizational sophistication, widespread union resistance by employers, and government suspicion and close monitoring of trade unions (a legacy of recent authoritarian histories for most countries). On the other hand, the potential value of forging transnational partnerships that focus on organizing, as well as collective bargaining with MNCs, in the Asia-Pacific region would appear substantial.

To date, the forms of transnational inter-union strategies have been quite limited. They have almost exclusively been restricted to (1) sharing information, (2) consultation, (3) showing public support but incurring limited sacrifice for given struggles and (4) participating in international trade secretariats and associated world company councils as forums for facilitating greater exchanges of information and consultation regarding MNCs. Even in the exceptional case of the European Works Council Directive, it appears that unions across borders have used these mandated councils for little more than the exchange of information and limited consultation about the subsidiaries of given MNCs (Beaupain et al., 2002). Although these various kinds of transnational inter-union activities provide an important starting

point on which to build, they will necessarily have to evolve much further before they can significantly shift the balance of power between labor and MNCs.[1]

Toward shifting the balance of power much further, unions across borders will need to fashion transnational strategies whereby the objectives and activities go well beyond those generally pursued to date. First, unions must find ways to leverage their existing relative power to enhance opportunities to negotiate over FDI and transnational movement-of-work decisions and to eliminate resistance by MNCs to union representation in foreign locations. Bearing in mind the logic of relative and total organizational power presented earlier, the challenge before unions is to offer terms to MNCs that (1) increase the total organizational power of organized employers and (2) entail less cost (or greater gain) to employers of agreeing to the union's terms than disagreeing to those terms. Here, the focus of transnational union partnerships would be to work cooperatively with MNCs to optimize total organizational power and gain as a quid pro quo for rights to joint decision-making with MNCs over FDI and movement-of-work decisions, as well as neutrality pledges to union organizing efforts across the home and foreign subsidiaries of MNCs (Cooke, 2002, Chapter 19).

Second, in addition to forging transnational inter-union partnerships for the purpose of *industrial* action, international partnerships among unions must find more effective ways of taking *political* action. Along these lines, unions will need to fashion coordinated strategies that change broader public opinion about labor standards and collective bargaining rights and, in turn, alter relevant government policies, especially across developing nations such as those in the Asia-Pacific region. Without government policies that protect the right of workers to organize and bargain collectively, unions will be thwarted in their efforts to represent employees of the foreign subsidiaries of MNCs and, in turn, bring the non-union locations within the transnational union partnership. Although much political activity has emerged in recent years under the auspices of the ILO, the International Confederation of Free Trade Unions, various international trade secretariats, national unions and federations acting independently, NGOs, and human rights organizations, it would appear that a

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[1]One recent exception is the Union Network International (UNI), which was formed in January 2000 with an expressed objective of promoting negotiations between MNCs and their unions across countries in a wide range of industries. Although too early to assess UNI's success in engaging MNCs in transnational negotiations, the creation of UNI, nonetheless, marks a recognition by unions across borders of their pressing need to pursue globally coordinated strategies across MNCs. See *Financial Times* (2001) and www.union-network.org.

much broader and more concerted effort among and across these various organizations is required.

Promoting Fairness and Decency: A Concluding Note

My objective herein has been to frame within a broad environmental context the investment and transnational HRM/LR strategies of MNCs and the transnational strategies of unions. The employment and workplace outcomes of the interaction between labor and management are argued to be a function of both relative and total organization power. In turn, the dynamics of power are critically shaped by socio-political contexts and government policies governing employment and labor-management relations. Given the importance of investment capital to economies worldwide and the inherent mobility of capital, it would appear that MNCs have enjoyed increasingly greater leverage, leaving labor in a weakened and further divided position to optimize gains for workers on a global basis. Without building considerably greater transnational inter-union coordination around both industrial and political action, the prospects for continuously improving the employment and working conditions of workers worldwide are quite limited.

Greatly exacerbating this challenge to unions is the dependence of developing countries on FDI inflows from developed countries, in conjunction with the vast gulf between compensation, working conditions and union representation in developing and developed nations. At the center of this challenge is the contentious issue of perceived exploitation of workers in developing countries and perceived social dumping by MNCs of workers in developed nations, an issue that sharply divides proponents and opponents of international regulation of labor standards. Proponents' arguments are based on the setting of standards to protect workers (including children) from deplorable working conditions; eliminating unfair, low labor cost competitive advantages; and harmonizing standards upward. Opponents' arguments center around the priority of national development policies over international policies; undue infringement on national sovereignty and cultural identity; double standards and disguised protectionism by wealthy nations (given that the availability of low labor costs is usually the only competitive advantage available to developing nations); and the dependence of developing nations on FDI as a means of eradicating poverty as rapidly as possible. (See Tsogas, 1999 for detailed arguments.)

Although there are deep disagreements about the international regulation of labor standards, there would appear to be no compelling reason to disagree about the desire to eliminate substandard labor conditions worldwide and as quickly as feasible. That appears to be the goal shared by all in this heated debate. The means and timing by which that goal can be achieved, however, will continue

to divide societies, to divide MNCs and organized labor and, likewise, to divide organized labor in developed and developing countries.

In spite of the apparent differences between the priorities of organized labor, MNCs and government policy makers, the fate of each is, nonetheless, inextricably linked to the success of each, at least in democratic societies. That is, the success of labor and management is dependent on favorable public policies; the success of government is dependent on favorable outcomes for both labor and management; the success of labor is dependent on the success of business; and where labor is organized and relatively strong, the success of business is dependent on labor. Under a scenario in which labor can exercise sufficient relative power, therefore, the interdependence of labor, MNCs and government policy makers yields a setting in which leaders of all three entities have reason to work together toward increasing total gain from the employment relationship. It is at that point whereby government policy-making and labor-management negotiations can be directed at improving decency and fairness in the workplace. The test of such policy making and negotiations will necessarily hinge on finding ways in which government, employer, and labor leaders alike optimize gains to their respective constituencies. Here, labor will need to have the unfettered right to organize and bargain collectively with employers. All three parties will need to focus their efforts, furthermore, on enhancing efficiency via reducing *unit* labor costs. This can be done by increasing labor productivity in order to offset the added costs of enhancing equity associated with improving the standards of work.

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