

Challenging governance in global commodity chains:

The case of transnational activist campaigns for better work conditions

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The coordination or ‘functional integration’ of complementary activities across locations constitutes a distinctive feature of globalization in contemporary capitalism (Dicken 1998). In industries such as apparel, electronics and automobiles, it has led to the emergence of ‘Global Commodity Chains’ (GCCs) governed by large lead firms that retain direct control over marketing and design activities in Northern markets while arranging for the manufacture of their products in complex transnational networks spanning across Southern countries. Although mainstream economists continue to think of globalization in terms of international competition, seeing the surge of manufacturing imports in mature markets as a result of superior cost advantage for Southern producers, a GCC perspective emphasizes that the globalization of production has been primarily driven by large firms in the North taking advantage of information and communication technologies, transport deregulation, trade liberalization, and an abundant labor supply made available in the South to reorganize production across countries and world macro-regions in order to lower cost, increase flexibility, and build up scale (Gereffi 1994).

At the manufacturing end of GCCs, activities spread to an ever-wider range of countries and trade liberalization enhanced competition among both producers and workers, contributing to depress labor standards on a world scale. Concurrently, power concentration strongly increased at the ‘top’ of global chains due to massive industry consolidation in both retailing and global branding, while growing pressures were exerted to extract rents out of these chains on the part of a financial sphere made of lead firms’ top management and major institutional shareholders (Gibbon 2002; Gibbon and Ponte, 2005; Palpacuer, Gibbon, Thompsen 2005). During the 1990s, such increased inequalities and continuous deterioration of working conditions at the base of GCCs prompted the emergence of a ‘corporate accountability movement’ made of transnational networks of social movement organizations (SMOs) and trade unions seeking to improve social conditions by empowering workers and re-establishing the social responsibility of profit-accumulating firms at the top of GCCs (Newell 2002; Bendel 2004; Utting 2005a).

This chapter aims to assess the significance of such networks in their attempts to build new forms of social regulation in GCCs. After highlighting key organizational and strategic characteristics of activist networks on the basis of two campaign cases respectively organized around the Matamoros factory (Mexico) in 2003 and the Hermosa manufacturing facility (El Salvador) in 2006 (I), I compare three ways in which the emergence of these networks has – or has not – been acknowledged in the governance debate in discussing decision systems and

power relations that shape resource allocation processes in firms and GCCs, and how these could be organized in order to contribute to improve social welfare in the world economy (II). Underlining the limitations of both shareholder and stakeholder views of governance in that regard, I further discuss the significance of transnational activists campaigns from an institutional perspective to show how these campaigns can be seen to contribute to build a new mode of regulation of the global economy (III).

I. Transnational activist campaigns in the clothing industry

Over the course of the 1990s, the global clothing industry witnessed the emergence of activist networks organized around the Clean Clothes Campaign (CCC) in Europe, the Maquila Solidarity Network (MSN) in Canada and Mexico, and a more fragmented base of activist organizations in the US including the United Students against Sweatshops (USAS), the National Labor Committee (NLC), and the Campaign for Labor Rights (CLR), among others. These coalitions brought together a mosaic of community groups acting for the defense of human rights, women, consumers, immigrants, workers, as well as religious groups, student groups, teacher associations, and in some cases, lawyers and political organizations. The rise of such ‘anti-sweatshop movement’ in the clothing sector has been well documented with reference to the US (Bonacich and Appelbaum 2000; Bender and Greenwald 2003; Esbenshade 2004), and is part of a broader ‘globalization from below’ by which counter-hegemonic groups have developed forms of ‘transnationally organized resistance’ against the unequal exchanges produced or intensified by economic globalization (Sousa Santo and Rodriguez-Garavito 2005; Sousa Santos 2006). In characterizing the varied forms and dynamics that such organized resistance might take, Della Porta and Tarrow (2005) insist on the long term, intense interactions observed in transnational collective actions defined as ‘coordinated international campaigns on the part of networks of activists against international actors, other states, or international institutions’ (p. 7). Against such background, zooming in two campaign cases in the clothing sector will serve to highlight some key organizational characteristics of activist networks in the global apparel chain (1.1), and to identify a number of changes in the ways in which these campaigns have been handled overtime both by activist groups and targeted global companies (1.2).

1.1 Transnational activist networks in action

The activist campaign organized against Puma in 2003 involved women workers from Matamoros Garments, a factory in Mexico assembling Puma products destined for the American market.¹ On January 13th, these Mexican workers had gone on strike to denounce conditions of forced overtime, unpaid wages, verbal abuse, persistent health and safety violations, and denial of freedom to create an independent local labor union. Frequently encountered in the global apparel industry, such conditions were contrary to the principles established in Puma's code of conduct. When Matamoros garment workers went on strike, they formed an independent local union, SITEMAG (Sindicato Independiente de Trabajadores de la Empresa Matamoros Garment), and joined the CAT (Centro de Apoyo al Trabajador), a worker support center formed in 2001 that called upon a variety of foreign SMOs including USAS, Mexico Solidarity Network and the CLR in the United States, MSN in Canada, No Sweat in the UK and the CCC in Germany, thus establishing global connections in support of local workers. The campaign involved several types of operations on the part of SMOs. In Germany, CCC and representatives of Matamoros workers held press conferences and met with Puma representatives. In the US, Sweatshop Watch launched an email campaign making sample letters available and asking members of its mailing list and website visitors to write to Puma's Director of Social and Environmental Affairs. Letters were also sent to the Mexican government and embassies over the world, asking for the recognition of Matamoros workers' independent local union. In addition, No Sweat organized picketing in front of Puma stores in a dozen of cities in the UK on Women's Day of March 8, 2003.

These actions involved a network of SMOs formed across North America, Europe and Latin America that closely matched the geography of the portion of Puma's production chain involved in the campaign, including headquarters in Germany, where the company's product development, branding and social affairs were located, subcontracting in Mexico, and a sourcing agent in the US. The ways in which Puma responded to the campaign revealed a learning curve pattern in interacting with SMOs. The first response from Puma was to get off a situation of labor unrest by cutting orders and ending work with Matamoros. Under SMO pressures, Puma went back to the factory but provided a second response based on denial: three staff people were sent to Mexico and filmed workers declaring that employment and work conditions were fine at Matamoros. The CAT and SITEMAG immediately contradicted such opinion and the video was never displayed to the public.

¹ Information on the Matamoros case has been collected by the author from the website of SMOs involved in the campaign, including www.sweatshopwatch.org, www.nosweat.org.uk, www.maquilasolidarity.org as well as by email exchanges with Puma Social and Environmental Affairs representative.

The case came to an abrupt end in Mexico when the Matamoros factory closed down in March 2003, officially for technical reasons. It had some influence on Puma's social policy, however, prompting the sportswear brand to join the main apparel industry association involved in monitoring work conditions at suppliers' factories, established in 1999 in the US as the Fair Labor Association (FLA), during the following year. In May 2004, SMOs from Mexico, Canada and the US also made a public communication to the Canadian government under the North American Free Trade Agreement's (NAFTA) labor provision². In May 2005, having reviewed extensive evidence, the Canadian government launched a complaint against Mexico on the issue of freedom to organize independent unions. The Puma-Matamoros campaign thus served to engage Puma towards greater corporate accountability, to draw public attention in the North on working conditions in apparel factories worldwide, and to put to work the regional institutional framework for labor rights in North America.

The Hermosa campaign was launched a few years later, between the end of 2005 and the beginning of 2006, in support of a group of women garment workers in El Salvador who demanded to receive due wages, social security coverage and severance payment after their factory, Hermosa Manufacturing, was closed down by its owner in May of the same year³. While the owner had re-hired part of the workforce in a new factory afterward, 63 workers who had been involved in forming a union (STITTAS) at Hermosa in April 2005 had failed to find another job in the area, and some had reached critical living and health conditions while lacking access to health insurance and income. Initiated in Germany under the 'Urgent Appeal' system under which local workers can mobilize CCC campaigning capacity, the campaign spread over to other European countries through CCC network and was relayed by USAS and MSN in North America.

Some of the means of action used in the Hermosa campaign were similar to those utilized in the Matamoros one, with sample letters being made available on SMO websites to be sent both to Salvadorian authorities and representatives of various retail and brand companies identified as having sourced products from Hermosa in recent years, in support of demands made by former Hermosa workers. The campaign was especially active in Germany, where a trip was organized for a representative of the workers to give public and press conferences, meet with German representatives of the International Textile, Garment and

² The North American Agreement on Labor Cooperation (NAALC) includes eleven labor principles such as freedom of association, discrimination, and minimum wage.

³ The Hermosa case was documented using campaign groups' websites, interviews at CCC International Secretariat, CCC Germany, MSN, and the FLA, and the detailed and extensive report produced by MSN (2007a) on the Hermosa case for the FLA.

Leather Workers Federation (ITGLWF), and CSR representatives at Adidas, one of the brands targeted by the campaign. Taking opportunity of the world football championship hosted in Germany during Spring 2006, CCC Germany mobilized various German activist and faith groups to organize a number of events at Adidas' annual shareholder meeting. For instance, members of the youth organization JANUN delayed the meeting by playing football at the entrance of the building, made a shareholder statement asking Adidas for a more socially responsible corporate behavior, and performed street theater while distributing leaflets afterwards in the neighboring city.

1.2 Building up collective dynamics

Despite a number of similarities with Matamoros, the Hermosa case illustrated some evolution in the ways in which transnational activist networks organized campaigns and companies responded to them, in the direction of a form of institutionalization by which campaign processes became more formalized and collective. Campaigning groups had evolved from targeting a specific company towards the joint targeting of several brands at the international level, seeking to reach a form of scale economies and impulse collective dynamics across firms in a campaign, as done in broader thematic campaigns such as the Play Fair at the Olympics (Merck 2005). Companies involved in the Hermosa case included Wal-Mart, Russel Athletic, Nike, Pentland, Reebok, Adidas, and Puma, a mix of 'buyers' including both some companies that campaign groups had already worked with, such as Nike or Puma, and others considered important to target, such as Wal-Mart. The quick identification and simultaneous targeting of several brands at the transnational level was made possible both by the trust-based relations developed between campaign groups of various regions over time, and by the use of internet, speeding up the deployment of a campaign from about 1,5 years by the end of the 1980s up to a few weeks nowadays⁴.

On companies' side, the FLA had established in 2002 a 'third-party complaint mechanism' that allowed any person to report on a situation of non-compliance with the association's code of conduct in factories producing for FLA affiliates, on behalf of factory workers. This provided a procedure for addressing issues related to the application of codes of conduct on a collective, rather than individual firm, basis. A complaint was filed by CCC Germany late 2005 regarding problems at Hermosa, including alleged violations of freedom

⁴ Interview with CCC International secretariat, Amsterdam, April 2007.

of association, failure to pay wages, severance and other legal benefits due to the workers, and failure to provide alternative employment. This case was especially sensitive as it revealed weaknesses in the control system that companies had established on the basis of regular audits of code compliance at their suppliers' factories. On-going code violations, such as failing pension fund payment, had gone unnoticed through several audits of code compliance at Hermosa over the years preceding closure.

Targeted companies reacted by denying or minimizing their sourcing activities with Hermosa, an initial response identified as typical by campaign organizers – and specified, with suggestions of appropriate reaction, in CCC campaigning manual (also see Merk 2005). As a second step, within the context of the FLA complaint procedure, brand affiliates – primarily Adidas, Nike and Russell – started to investigate the case and put pressure both on the Salvadorian government and on their suppliers in El Salvador to meet workers' demands and help them get reemployed. Being simultaneously targeted encouraged brand firms to construct collective responses to the crisis, and the FLA served as a forum for frequent informal discussions as the campaign proceeded⁵. In February 2006, the FLA further launched the 'step 3' of its complaint procedure involving an external expert assessment of the case, eventually leading to the release of an interim report in August of the same year (FLA 2006). Investigations led by the brands revealed that government officials had been aware that Hermosa did not pay retirement and social security contributions during the period 1996-2005 but had continued to issue social security certificates to workers without informing them. Brand actions towards the Salvadorian authorities as well as local suppliers did not produce successful outcomes in terms of reemployment of former Hermosa workers. 'The buyers told us that they were unwilling to pressure [their] suppliers to give ex-Hermosa workers priority hiring (...) because they did not believe that they have the right to tell another company whom to hire' observed the MSN in a detailed report on the Hermosa case (2007a: 9).

By the end of 2006, in the face of continuing campaign pressures and persisting failure to improve the condition of unemployed ex-Hermosa workers, the FLA set up a fund on the basis of donations from brand affiliates. According to MSN (2007a), this initiative came out of discussions between the German CCC, CCC International, Adidas and the FLA. Initially geared towards more sustainable forms of support such as micro-credits, the initiative evolved towards an emergency response to the critical living conditions reached by local workers and the preference that they expressed. Between December 2006 and February 2007, a collected

⁵ FLA interview, May 2007, Geneva.

sum of \$36,000 was distributed through a Salvadorian SMO to unemployed former Hermosa workers. Although the fund was positively received, it also acted as a catalyst to reveal divergences among actors involved with regard to the scope of brand corporate responsibility and the forms that it should take. On the one hand, FLA companies were keen to set the fund as a charity act independent of the wages, benefits and severance payments due to the workers, an estimated sum of \$825, 000. The fear of setting a precedent that would contribute to establish their responsibility for the payment of workers' wages at suppliers' factories prevented a number of brands from donating to the fund or induced them to minimize their donation, thus contributing to explain the relatively low amount of \$36,000 accumulated in the fund, when the FLA had anticipated a total of \$100,000. Some buyers expressed their reluctance in anonymous interviews conducted by the MSN: 'it doesn't fit with how we prioritize where to put our resources', 'there was a lack of enthusiasm precisely because it was seen as compensation to the workers', 'we can't respond like this. It's unmanageable, it's unfair (...) it's letting the people who are responsible, the owners and the government, off the hook' (2007a: 14). On the other hand, former unionized workers believed that brand companies should compensate them for the full amount owed by Hermosa. Local SMOs, international campaign groups as well as the international union, all emphasized that the fund was insufficient and relayed workers' demand for further contribution. Arguments included that the German CCC had been signaling problems with the Hermosa factory that were left unaddressed by global buyers since 2000, or that buyers could create a fund for compensation as a form of advance payment and pursue legal actions to obtain compensation afterward. The fund was also compared to similar initiatives that had yielded greater results for the workers in the past (see MSN 2007a: 28).

The situation of local workers thus remained critical and on that account, as in the Matamoros case, the campaign failed to reach its initial objectives. On other aspects, however, it produced successful outcomes at the local level. One involved the trial of Hermosa's owner held in El Salvador during the second half of 2006 for the failed payment of retirement and social security contributions. Induced by campaign pressures, according to a German CCC representative, the trial was the first of its kind in the country and contributed to a stricter compliance approach by the Salvadorian government⁶. Another positive outcome at the local level lied in workers' empowerment. Thorough the campaign, the group of struggling workers learned to build both local and international alliances for the defense of

⁶ See <http://sansalvador.usembassy.gov/news/2007/reports/hr/elsalvador.html>

their rights, using internet connections, participating in meetings and negotiation of various kind, and receiving support from a coalition of about a dozen local SMOs acting for the defense of women and workers' rights in El Salvador. The financial aid that they managed to obtain, however limited, provided a symbolic recognition of the legitimacy of their demands and of the steps taken to get them heard and answered at the international level.

II – Normative views of governance in GCCs: how do transnational campaigns fit?

Beyond reactions of individual companies to particular campaigns, a variety of ideological responses to the rise of transnational campaigns can be observed in the governance debate addressing the social consequences of globalization. Normative discussions of governance in academic and policy circles have revolved around three perspectives conveying distinct representations of the nature of the firm, the role of public institutions and the ways in which economics activities can be made to improve social welfare, while offering contrasted views of the significance and desirability of transnational activism⁷.

2.1 Shareholder versus stakeholder views of GCC governance

The debate on corporate governance has mainly opposed 'shareholder' versus 'stakeholder' perspectives on the running of large corporations. The shareholder approach draws on property rights theory (Alchian and Demsetz 1972) and agency theory (Fama and Jensen 1983; Jensen 2000) to give primacy to ownership in the appropriation of wealth generated by large corporations. It also builds on transaction cost theory (Williamson 1975, 1985) to define the firm as a 'nexus of contracts', i.e., a sum of bilateral contracts between individuals making opportunistic and – limitedly – rational decisions. According to this view, the market provides, or should provide, the best regulatory mechanism for maximizing shareholder value, and state intervention should be restricted to ensuring the efficient operation of markets in the spheres of corporate ownership and management (Jensen 2000). A central claim of the shareholder view and a major foundation for its social legitimacy lie in the idea that maximizing shareholder value can provide the best avenue for maximizing the

⁷ I have elaborated elsewhere on these three views to highlight how they link up to various schools of thoughts in organizational theory (Palpacuer, 2006), and how the link can be made between corporate level and chain level governance (Palpacuer, 2008).

performance of the economy as a whole, and thereby improving social welfare. Relying on a doctrine of methodological individualism, this view promotes a conception of the firm that excludes all forms of collective action and makes abstraction of power imbalances and conflicting interests between various social groups contributing to a firm's activity including shareholders, employers, clients and suppliers.

On the social side, a market-based view holds that institutional arrangements built on principles other than free competition are potentially detrimental to both economic performance and social welfare. Unions, for instance, are seen as monopolies aiming to control production and increase costs, offering 'unfair' advantages to their members at the expense of consumers, other workers, and ultimately the whole society (Simons 1944; Friedman 1962). Likewise, any attempts by firms to collectively address issues of working conditions at their suppliers would be contrary to the principles of free competition and fall under anti-trust laws, as implied in buyers' resistance to acknowledge responsibility for severance payments due to laid off workers in the Hermosa case and more broadly, for work conditions at their suppliers' factories. Consequently, objectives pursued by both activist SMOs and labor unions are not seen as legitimate under a shareholder governance system. The existence of unequal power relations in GCCs being unacknowledged in the first place, corrective actions impeding on market forces are seen as undesirable social policies. A corresponding, if softer, view of the role of markets in GCC governance can be found in a typology developed by Gereffi, Sturgeon and Humphrey (2005) where GCCs governed by the market are seen as presenting the lowest degree of power asymmetry in inter-firm relationships. Like the firm itself, under specific conditions of exchange codification, a GCC defined as a 'nexus of contracts' could thus presumably provide a desirable model to promote social welfare. GCC writers did not explicitly endorse a market view, however, and considered that other arrangements such as close, socially embedded inter-firm working relationships could prove just as effective on a contingent basis.

In line with such socially embedded perspective, the stakeholder view arose in reaction to core assumptions of the shareholder approach, claiming that a focus on shareholder value was not only unfair from an ethical point of view but also detrimental to corporate performance (Freeman 1984; Post et al. 2002). Inspired by the human relation school, it emphasized the corporate benefits to be derived from investing in relationships with a broad set of constituents: 'Individuals well endowed with economic and social capabilities will be more productive; companies which draw on the experience of all of their stakeholders will be more efficient' (Kelly et al. 1997: 244). Much of the surging interest in participative

management and cooperative inter-firm linkages during the early to mid-1990s relied on similar premises. Sociologists emphasized the role of trust in allowing for flexible, open-ended inter-firm relations seen as more conducive to innovation than arm's length market relations (Powell 1990; Sako 1990; Uzzi 1997), as did the burgeoning literature promoting industrial clusters as a new route for economic development (Pyke, Becattini and Sengenberger 1990; Nadvi and Schmidt 1994). Attempts to incorporate such notions in GCC analysis were also made by taking into account the formation of transnational production linkages within local industrial systems (Humphrey and Schmitz 2000; Palpacuer and Parisotto 2003).

Ethical considerations promoting cooperative behaviors within and between firms reappeared under a more recent form in the managerial literature on corporate social responsibility (CSR), arguing that stakeholder-oriented governance could simultaneously boost economic performance and improve social welfare. Corporations would thus act on the basis of 'enlightened self-interest' when adopting codes of conduct, for instance, by realizing that the value of their products depended on consumers' perception of their endorsement of a socially responsible behavior with suppliers (O'Higgins 2003: 52-64). The stakeholder view suggests that balancing social and economic considerations in the governance of the corporation could and should be done primarily on the basis of 'voluntary individual action' (Brabet 2004; Utting 2005b). When members of this school prescribed governance reform (for instance, Blair 1995), they did so with considerable caution, emphasizing that existing forms of regulation should presumably be sufficient for stakeholder-oriented governance to spontaneously emerge from the decision-making pattern of individuals running the corporation. As pointed by O'Sullivan, such policy orientations maintained 'the neo-classical assumptions that resource allocation is individual and optimal' (2000:59). Although claiming to take into account a variety of interests in the running of the corporation, the stakeholder view has thus persistently overlooked the role of power relations in shaping the distribution of wealth among actors involved in transnational production processes, and the need to introduce collective rules, beyond individual decisions, to alleviate inequalities in wealth distribution in GCCs. Within the context of Multi Stakeholder Initiatives (MSIs) launched by firms to promote social standards on a collective – rather than individual – basis, such as the FLA, proponents of CSR have thus adopted a critical stance vis-à-vis public regulation, preferring a 'naming and praising' approach that engages companies in 'social learning' to the 'naming and shaming' strategies of campaign groups and their focus on demanding accountability (Utting 2002: 27). Broadly reflecting on CSR policies, Utting concluded that 'at best, [it] can

contribute to raising awareness of certain social and environmental problems and serve to caution against blind faith in both market forces and state regulatory capacity (...). At worst, CSR involves a transfer of regulatory authority to largely unaccountable agents and renders more palatable a model of capitalism that generates or reinforces widespread social exclusion, inequality and environmental degradation' (2005a: 23).

2.2 An institutional view of GCC governance

In light of the failure of shareholder and stakeholder perspectives to address issues of power relations and raising inequalities in GCCs, a third approach can be devised by building on the core analytical premises of early institutional theory, shared by subsequent research in French regulation theory, to explore new institutional developments aiming to improve the welfare of deprived social groups at the base of global chains. A distinctive feature of institutional analysis, as defined by early labor market theorists, was to see individual action as embedded in collective dynamics by which norms and rules were developed and sustained in society and the economy (Kerr 1950; Cain 1976). Such dynamics contributed to shape opportunities and constraints faced by individuals belonging to diverse social groups and generated inequalities in their capacity to access resources such as education and well-paid jobs in the labor market. An institutional lecture of market dynamics thus called for public policy aimed at alleviating such inequalities (see for instance, Doeringer and Piore 1971), insofar as social cohesion and social welfare were not seen as spontaneously resulting from economic performance, itself optimally produced by market forces. Sharing such core tenet of the old American institutionalism, the French regulation school went a step further by arguing that capitalism could not perpetuate itself without institutions that channeled the forces of competition and produced stable forms of wealth redistribution. Key economic conditions and institutions were identified that allowed for a 'virtuous circle' of wealth generation and redistribution to develop in industrialized countries under the Fordist system of the post-World War II period (see Boyer 1987, 1996; Boyer and Durand 1997).

A central redistributive mechanism of that time laid in labor laws and collective bargaining systems by which the employment relation could simultaneously mobilize labor forces for production purposes and fuel market growth on the basis of regular wage increases (Grahl and Teague 2000). Along similar lines, radical labor economists and historians have analyzed how a combination of social struggle on the part of workers and economic interest of large corporations allowed for such institutions to progressively build up and stabilize the

Fordist system in the US (Gordon, Edwards and Reich 1982; Jacoby 1985, 1991). Labor laws and collective bargaining systems provided the type of ‘institutional order’ or ‘public process’, in the words of organizational sociologist Philip Selznick (1969), that offered ‘a setting for ordered controversy and accommodation, whereby the opportunity and capacity for legitimate self-assertion [of a variety of interests involved in the production process] could be guaranteed’ (in Perrow 1986: 114).

For the sake of further comparisons with contemporary forms of social struggles and attempts to ‘regulate’ – in the French school sense of allowing for the social production and reproduction of – GCCs, several important characteristics of the Selznickian ‘institutional order’ established through State policy and collective bargaining systems during the Fordist period should be emphasized. First, these institutions emerged out of a process of conflict and confrontation allowing for the expression, recognition and organized convergence of a variety of interests in society and the economy. Conflicts could thus be seen as playing an instrumental role in the formation of an institutional context that allowed for the ‘legitimate self-assertion’ of diverse interests and the reach of a consensus among actors involved. At the local level, scholars interested in the institutional dynamics of industrial districts similarly pointed that ‘trust relations (...) seem more a consequence than a pre-condition of practical co-operation among local actors, and social consensus less an antithesis of conflict than an outcome of its successful resolution’ (Zeitlin 1992: 287). Relatedly, Fordist institutions were built on the principle of democratic representation, either in the form of elected workers representatives in collective bargaining systems, or as citizens’ representation in the vote of national labor laws.

Second, the set of rules embodied into Fordist institutions had a binding character that restricted the freedom of action of all actors involved. Perrow (1986) emphasized that formal rules could effectively protect workers against arbitrary managerial decisions, an argument long-established in institutional and radical labor market theories (Doeringer and Piore 1971; Gordon et al. 1982). Such regulatory system did not – and this comes as a major difference with the stakeholder view – rely on the voluntary action of individual agents or corporations. Translated in terms of corporate governance, this perspective implies that stakeholder participation become institutionalized so that for instance, ‘employees’ role in governance is not at the discretion of any other group in the economy (such as shareholders)’ (O’Sullivan, 2003:21). Finally, the scope of application of Fordist rules roughly matched the perimeter of corporations’ economic activities. As such, it provided an effective scheme for stabilizing the workforce and employment relations, thus serving corporate management objectives to

standardize work practices in order to boost productivity in the context of mass production systems. It also allowed for a ‘virtuous cycle’ to develop by establishing a link between wages, purchasing power, and market growth.

Such perspective highlights a major consequence of the rise of GCCs in deploying production systems across a wide variety of local or national institutional systems that remain largely disconnected and of highly unequal redistributive capacities. Having differentiated spaces of production and consumption in global chains, lead firms no longer faced obligations or incentives to promote regular collective wage increases in their production system, and they stopped doing so during the 1980 and 1990s by adopting individualized compensation schemes and/or subcontracting work to employers and places where Fordist counter-powers, i.e., the State and labor union, were weakly organized or inexistent (Bonacich and Appelbaum 2000; Capelli 1999). While economic decisions became increasingly centralized in global management systems, societies remained organized – and redistributive institutions continued to operate – on a national basis. As a result, the capacity of Fordist counter-powers to channel economic forces towards the reinforcement of social cohesion within countries deeply weakened. Remaining anchored in national systems, bidding rules no longer cover extensively the production activities of global firms. Tightly regulated systems providing for high wages and social protection competed against loosely regulated, lower wage locations within GCCs, in what could be called a ‘vicious cycle’ of global downward competitive pressure on wages and working conditions. The growing financialization of corporate governance at the top of GCCs thus concurred with the demise of older modes of governance promoting the employment relation, rather than ownership, as a primary vehicle for wealth redistribution in society. The International Labour Organization repeatedly pointed to the social imbalances generated by such shift where ‘market opening measures and financial and economic considerations predominate over social ones ... [so that] ... workers and the poor have no voice in this governance process’ (ILO 2004, p. xi).

Against such background, the emergence of new social movements aiming to recreate some mode of regulation at the global level takes on a distinct significance. While a shareholder view negates the very legitimacy of campaign and labor organizations, and a firm-centered stakeholder view continues to place power in the hands of lead firms in GCCs that re-absorbed social critics through CSR tools and discourses, an institutional view rooted in French regulation theory holds that the sharing of decision making capacities with strong labor counter-powers is not only legitimate but also necessary in order to ensure the very sustainability of production systems. As such, it fits nicely into recent neo-Gramscian analysis

of global production that make explicit the mechanisms by which a dominant elite manages to establish and sustain hegemony over subordinate groups in GCCs (Levy 2008). In Gramsci's view, hegemony operates not only by the identification of dominant groups' interests with the common interest – as sophisticatedly done in the shareholder view – and the diffusion of an ideology of mutuality of interests – as conveyed in CSR discourses – but also by political and material compromises that accommodate subordinate groups to some degree (1971, in Levy 2008: 20-21). Transnational activist networks can thus be seen as embodying social struggles over the building of some forms of consensual processes leading to some political and material compromises within the context of GCCs.

III – Building a new ‘institutional order’?

In line with an institutional view of governance, contemporary activist campaigns forming the ‘corporate accountability movement’ – as framed by Utting (2005), Bendel (2004), Newell (2002) and others – in the global clothing chain will be discussed, with particular emphasis on European and Canadian SMOs and on two similarities that these movements exhibit with the formative stages of counter-power organizing in the Fordist era: the search for a coincidence of social and economic dynamics (3.1), and the role of conflicts in the construction of a system of bidding rules (3.2).

3.1 Towards a coincidence of social and economic dynamics in GCCs

Traditional counter-powers in the form of the State and labor unions were established in national perimeters that matched the geographic scope of production systems in the Fordist era, and focused on production capabilities as key sources of profits in large firms' economic activities. By contrast, contemporary campaigns share some central features of GCCs and have adapted to some core foundations of their economic and financial power. Inter-organizational linkages allow for the quick build up of alliances on a campaign basis, matching the agility that global firms gained for themselves through transnational vertical disintegration. While states and labor unions face the limits of operating mainly within the framework of a national mandate – although a number of unions have actively built up international framework agreements with multinationals in recent years, see Riisgaard (2005) – activist networks have developed a transnational scope of action and participate to establish social and cognitive linkages between production workers in the South and consumers in the

North. In Levy's view, 'the political sustainability of GPNs [global production networks] depends, in part, on the insulating effect of distance between conditions of production and consumption' so that 'activists have used these insights in their attempts to build discursive and organizational connections across the barriers of distance to highlight the contradictions within GPNs' (2008: 31). Such linkages can be seen as providing foundations for further institutional developments at the transnational level by forming a common frame of reference and values for new rule-building activities in GCCs.

The organization of 'exposure trips' by activist groups provides one vehicle for doing so, either in a South – North orientation, when Southern workers come to Western markets, give press conferences and meet with corporate representatives as they did during the Matamoros and Hermosa campaigns, or in a North – South direction, as done for instance by WIEGO, a network of Southern women workers' groups formed in 1997, when getting mainstream economists from Anglo-Saxon countries to visit informal workers in India (Chen et al. 2004). Southern and Northern SMOs also devised 'creation actions' based on theater, exhibitions and fashion shows aiming to raise both worker and consumer awareness of the social and economic dimensions of globalization. For instance, the CAT, involved in the Matamoros campaign in Mexico, brings theater plays to communities where maquila workers live in order to help them deal with issues of workplace struggles and harassment ('The Other King Kong Story'), union organizing ('The Machine') or women's conditions ('The Capital M in Mujer is not for Macho!'), (Ascoly and Finney 2005). JANUN, a German youth organization involved in the Hermosa campaign, organizes walking tours for school classes in city centers, stopping in front of clothing and sports goods stores to tell stories about social and environmental issues at various stages of GCCs for these products and brands appreciated by the youth⁸.

While counter-powers historically focused on factories as places of social struggle, activist networks shifted towards end-markets to reach the core profit-generating capabilities of GCC leaders such as branding, marketing and other product differentiation investments. The founder of a clothing campaign group recalled, in relation to the first campaign launched by this organization: 'We didn't understand until then the power of the brand, and the fact that you could influence a company because of its brand sensitivity and vulnerability'. Contemporary activist campaigns seek to multiply 'pressure points' by combining actions at shareholder meetings, retail stores, jazz festivals, etc. In both Europe and Canada, activist

⁸ Janun interview, Germany, November 2007.

SMOs aim to target several buyers and get them to work together in a campaign, or to group demands around a common theme or area in order to amplify campaigns beyond the level of individual brands. This broadening of campaign perspectives is made possible by the dynamic learning pattern developed in relationships between SMOs and global buyers over the 1990s and early 2000s. As noted in an assessment report of the ‘Urgent Appeal’ system by which the CCC handles demands for international support: ‘Nowadays, most of the cases taken up by the CCC are no longer about establishing [brand] responsibility but about trying to solve the problem in the workplace and develop, if possible, policies to prevent future violations. This is more complex for the CCC, whose strategy since 2003 includes working to bring brands together to collectively pressure their shared suppliers to resolve violations’ (Dent 2005: 13).

Activist SMOs have also increasingly focused on the ‘root causes’ of labor abuses laying in lead firms’ sourcing policies. Self-evident for campaigners, the link between sourcing practices and working conditions at suppliers’ factories had become somehow blurred by the creation of CSR departments within large firms, in charge of interacting with campaigners and developing codes of conduct procedures independently of corporate sourcing departments and demands made on suppliers in terms of price, quality and delivery. The consequences on workers’ wages and working hours of continuously declining prices and delivery times imposed by lead firms on suppliers have been made explicit in several reports from SMOs and MSIs such as the UK-based Ethical Trading Initiative (Barrientos and Smith 2006). ‘Perverse patterns’ of labor market flexibilization, subcontracting, and growing concentration of economic power in large corporations have being questioned and greater ‘political coherence’ demanded between firms’ CSR policies and the economic rationale of their global sourcing policies (Utting 2005a: 7-12).

As recommended in the managerial literature on inter-firm networks (Jarillo 1993 ; Miles and Snow 1994), activist campaigns build on long-term, trust-based relationships both at the global level, when coordinating transnational action, and at the local level in their home country. On a global scale, the issue of trust is particularly important with regard to the reliability of information gathered on a case by various partners, because statements regarding a given work situation engage the credibility of SMOs’ claims and actions, while being continuously disputed by companies and other actors targeted by campaigns⁹. At the local level in the North, activist coalitions such as the MSN and the CCC maintain a small staff in

⁹ For instance, controversies typically arise regarding when a company started and/or ended sourcing from a given supplier

each country but rely on relationships with large, long-standing national SMOs including faith, labor, feminist and teachers organizations to leverage resources and build up scale. For instance, *Ethique sur l'Etiquette* (ESE), a French member of CCC, is supported by the Catholic Committee against Hunger and for Development (CCFD) and the *Confédération Française Démocratique du Travail* (CFDT), among others. In the UK, *Labor Behind the Label* (LBL) works with Christian Aid, Oxfam and *Women Working Worldwide* (WWW). In Canada, MSN acts as the secretariat of ETAG, a coalition including church, teachers, and labor organizations as well as Oxfam. Open, flexible relationships are a core operating principle of these networks both within and across countries. 'It's not a military structure, people get into a campaign based on their own interest' mentioned a MSN staff member. The CCC also developed as a 'very open, structurally loose and non-hierarchical network in which every national coalition of partner organizations has, for example, to pay its own way' (Zeldenrust, in Ascoly and Finney 2005: 53).

In the South, 'historical partners' play a central role in bringing new cases of labor abuses to the attention of Northern SMOs. 'We're more likely to take on a campaign if we get approached by a group we've developed a historical relationship with' comments a MSN coordinator. At CCC, the objective to develop long-term relationships with workers' groups in the South is given explicit preeminence over short-term opportunities for campaigning against large brands in the North. Because local workers bear major risks in terms of retaliation – including life threats on themselves and their families –, campaigns are launched and pursued according to their decision¹⁰. Continuous interactions between Northern and Southern organizations are also conducive to capacity building dynamics. For instance, a successful campaign targeting Nike and Reebok in 2001 in support of workers' organizing efforts at the Kukdong factory in Mexico played a major role in the formation of the CAT, a local workers' group that became involved in subsequent campaigns such Matamoros. In El Salvador, relationships developed between CCC Germany and local SMOs such as *Las Melindas* also proved instrumental in launching the *Hermosa* campaign. A widely publicized campaign against *The Gap* regarding working conditions at *Mandarin International* in El Salvador led to the formation of the *Grupo de Monitoreo Independiente de El Salvador* (GMIES), a local monitoring organization now accredited as an FLA code monitor and recruited by Adidas on the *Hermosa* case. The formation of sustained transnational linkages among activist organizations during the 1990s thus matches the structure of production in

¹⁰ Interview with CCC International Secretariat, Amsterdam, April 2007.

GCCs, and activist pressures are exerted on the main profit-generating mechanisms of this structure. If a new coincidence between social and economic dynamics can be seen to emerge here, a new mode of regulation is far from established insofar as transnational counter-power networks are not covering the full scope of global production, nor even a significant portion of it, so that a vast majority of workers remain unorganized and labor rights violations are persistently widespread in the labor-intensive segments of GCCs.

3.2 The role of conflict in rule-building processes

Other similarities between contemporary campaigns and the social dynamics observed in the formative stages of the Fordist period can be seen in the adoption of a confrontational attitude vis-à-vis large corporations, aimed at promoting a Selznickian ‘legitimate self-assertion’ of production workers in GCCs (Bonacich and Appelbaum 2000; Sum and Pun Ngai 2005). As a consequence, classic dilemmas historically faced by labor unions in terms of arbitration between confrontational and cooperative attitudes vis-à-vis corporations have arisen in global counter-power networks as well (Utting 2005a). In both Canada and Europe, major activist SMOs have agreed, as campaigns became more institutionalized, to contact brand companies and ask for corrective action at a supplier’s factory before launching a public campaign on behalf of abused workers. In some cases, delays between initial contacts made with the brand and the launch of a campaign have become as long as a full year¹¹. Partly as a result of such form of cooperation, 30 to 40% of demands made by local worker groups for international actions within the context of CCC Urgent Appeal system do not lead to a public campaign¹². ‘You can’t just attack, you have to be willing to talk’, ‘the idea is, oppose and propose at the same time, you cannot oppose if you don’t propose’, explained leading activists in these SMO networks. As a result, campaign SMOs have become increasingly absorbed in dealing with responses to social pressures that corporations have constructed in the form of codes of conducts and audits of code compliance, either in industry associations or in MSIs where collective codes have been launched under governance systems including firms, some activist and/or non-activist civil society organizations and/or labor unions, producing a diverse and shifting array of institutional arrangements within the global clothing industry (Gereffi et al. 2001; O’Rourke 2003; Utting 2002). Local projects involving multiple

¹¹ Admittedly, longer delays also stem from preparation time required by the increasingly collective dimension of campaigns now simultaneously targeting several brands.

¹² CCC interview, International Secretariat, Amsterdam, April 2007.

stakeholders have also multiplied in recent years, such as the Joint Initiative on Corporate Accountability and Workers' Rights (JO-IN) launched in Turkey in 2004 by several major MSIs and the CCC to test out best practices in codes of conduct (MSN 2007b).

Corporate and MSI codes of conduct have been either praised as efficient substitutes for declining or inexistent forms of Fordist regulation, along a stakeholder view of corporate governance, or criticized for favoring the development of a managerial 'audit culture' that remained largely disconnected from actual work conditions and labor issues at suppliers' factories, in line with core assumptions of an institutional perspective (O'Rourke 2006; Sum and Pun Ngai 2005). Both activist SMOs and international labor unions have indeed pointed that the social auditing of codes was 'not sustainable [and] need[ing] to be replaced by a mature system of industrial relations based on social dialogue where representatives of management and workers become daily monitors of workplace situations' (Secretary General of the ITGLWF, in MSNb 2007: 22-23; also see CCC 2005). Accordingly, MSI codes are seen as responding to 'a need for temporary or transitory institutions that are going to experiment with different ways of enforcement or implementation of labor standards. (...) I think it sorts of lay the ground for other forms of regulations that could come later' reflects a MSN leader. Likewise, in the words of a CCC representative: 'we support the development of MSIs because we believe that in the short term they could do a better job to help workers than what governments could do, while at the same time we recognize that in the long term it has to be included into more accountability or a sort of regulatory framework. (...) To us, the MSIs are really a second-best solution'¹³. Echoing historical divisions within the union movement, such opinion is not shared by more radical campaign groups: 'Most of the US groups would say that they do not accept that. Their focus is almost entirely on factory-by-factory worker organizing. That's the only thing they see as legitimate'¹⁴.

The idea of involving the ILO to build up more robust institutional arrangements in the long run was mentioned by representatives of SMOs in both Europe and Canada. 'Today if the ILO came forward with a good document saying 'we want to set up an official mechanism specifically for the garment industry to promote freedom of association and deal with complaints', happily the whole anti-sweatshop movement would push, like, the top-20 brands into it, and I think on the European side a lot of brands would almost breath easy because they'd think 'at least I'm spared the 50 different codes and 60 different initiatives and a lot of campaign trouble' commented a leading CCC representative. Indeed, a momentum

¹³ CCC interview, International Secretariat, Amsterdam, April 2007.

¹⁴ MSN interview, June 2007

was identified among the most progressive brands for more collective forms of regulation: ‘I think there’s a transition taking place, everyone is searching for ways to regulate the industry, even the companies are, really. Companies that have been under the scan and been further than the other ones would like a level playing field. They want to see other companies pulled into the loop’¹⁵. Accordingly, the balance between conflicts and cooperation maintained by major activist SMOs in Europe and Canada aims at building more constraining forms of social regulation in GCCs in the future. More generally, the corporate accountability movement emphasizes the need for bidding rules, including firms’ obligation to answer to different stakeholders as well as elements of enforceability linking compliance failures to some sorts of penalty (Newell 2002; Utting 2005a).

The issue of conflict and cooperation involves SMO relationships not only with global brands but also – in more subtle ways – with labor unions. ‘Quite apart from our relations to the MSIs, we are in the dynamics of conflict between unions and SMOs everyday, all the time. (...) We take that with us, with every case that we do’, comments an activist leader. Likewise, the literature underlined that a variety of cases could be observed where SMOs acted either as confronting or supporting unions at the local level (O’Rourke 2006; Utting 2005a). The campaigns under study revealed a more complex pattern. On the one hand, activist SMOs in Europe and Canada are primarily geared towards improving work conditions and supporting workers’ empowerment through organizing. MSN defines itself on its webpage as ‘a labor and women’s rights organization that supports the efforts of workers in global supply chains to win improved wages and working conditions and a better quality of life’. Likewise, CCC aims ‘to improve working conditions and empower workers in the global apparel industry, in order to end the oppression, exploitation and abuse of workers in this industry, most of whom are women’. Both organizations have a strong representation of labor unions in their membership base in various countries, and in some places the CCC office is hosted by a labor union. The lack of freedom of association and obstacles to workers’ organizing efforts came up in 75% of campaign cases launched by the CCC between 1999 and 2003 under its Urgent Appeal system (Dent 2005). On such ground, SMOs are using campaigns to promote the diffusion of strong labor unions committed to the defense of workers’ rights in the global clothing industry.

On the other hand, some campaign cases have exposed the drawbacks of labor unions that do not adequately represent workers’ interests, a situation typical of a number of

¹⁵ MSN interview, June 2007.

production countries such as Mexico and El Salvador. ‘We have a mandate to bring change in unions as well’, commented a CCC representative. Activists point out some general limitations of traditional labor unions: ‘the old structure of labor organizing cannot operate globally, it cannot deal with the regulation gap that developed when companies started to go global and to subcontract’. The specialization of trade unions by country and industry makes interconnections difficult during campaigns and creates conditions for the emergence of conflicting interests, as happened when a labor union specialized in chemicals and historically established at Puma in Germany sided with the firm’s CSR department against SMOs and the local Mexican independent garment union during the Matamoros campaign¹⁶. In such situations, campaigns are revealing tensions internal to the international union movement, itself trapped into the conflict versus cooperation dilemma with large corporations. Some unions opting for cooperative relations in a given context might find themselves hostiles to grassroots unions’ activist initiatives in other contexts, as illustrated by Cumbers, Nativel, and Routledge (2008) in their case study of the International Chemical, Energy, Mining and General Workers Federation (ICEM). In other cases, a lack of coordination might hamper relationships between transnational SMO networks and international trade union federations. In the Hermosa campaign, for instance, when negotiations around the setting of a fund were already well advanced between FLA brands, the CCC, local SMOs and Hermosa workers, the ITGLWF stepped in and called on a brand meeting for similar purposes. Only Wal-Mart – that had remained unresponsive to previous calls from SMOs during the campaign – agreed to participate¹⁷. Some SMO representatives also pointed to a ‘generation gap’ between activists and labor unions, as well as a gender issue: ‘In the labor movement as a whole I believe we’re still stuck in an old-fashioned organizing model that doesn’t answer to the needs, including the organizing needs, of women workers’ (Zeldenrust, in Ascoly and Finney 2005: 53). Activist SMOs can thus be seen to play a role not only in bringing changes in subcontracting and employment practices in GCCs but also in the ways in which the union movement itself responds to the challenges of the ‘global factory’ (Fuentes and Ehrenreich 1983).

Concluding remarks

Over the course of the 1990s, in the various end markets of Europe and North America, new social movement organizations have emerged to promote improvements in the working

¹⁶ CCC Germany, interview, April 2007.

¹⁷ Interviews with FLA (May 2007) and CCC representatives (April 2007).

conditions of women garment workers in Southern producing countries. Campaigning played a central role in the foundation of these SMOs – the 1989 C&A campaign and the 1994 campaign against the Gap have respectively become founding myths in the history of CCC and MSN – and continues to provide the main lever by which these SMOs can make their voice heard in discussions with global brands and more collaborative initiatives such as the MSIs. As shown in this paper, activist SMOs dedicated to the global clothing industry have gained leverage and built up scale by adopting a network form of organization mirroring the organizational strategies by which major lead firms have reconfigured their production chain on a global scale.

This corporate accountability movement has been framed as illegitimate and potentially harmful in a shareholder view of GCC governance, and as inadequate in its conflict dimension along a firm-centered stakeholder view. From an institutional perspective, because such movement is searching for new forms of coincidence between networks of countervailing power and corporate networks, while combining conflicts and negotiation in the exercise of such power, it actually plays a key role in contributing to build a new mode of regulation in the global economy. A strong engagement from governments, possibly channeled by the ILO but going much further in terms of actual enforcement capacity, will nevertheless be needed for such initiatives to lead to the construction of a true mode of regulation in the French theory sense of the term. In the meantime, workers by the hundreds of millions will continue to work under oppressive conditions including long hours, poor wages, health problems, sexual harassment and union repression in GCCs. Looking at the road ahead, whether GCC can actually be regulated in the sense of being made to upgrade rather than downgrade social – and environmental – conditions, or whether addressing these issues will involve deep reconfigurations of production and consumption, remains an open question.

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