

Sweatshops and the
race to the bottom
phenomenon
economics essay



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(1.) Why do global critics often cite sweatshops as a prime example of the “race to the bottom” phenomenon? (2.) In addition, are sweatshops a stop on the road to prosperity? (3.) Meanwhile, are sweatshops a common ground? (4.) Finally, how can developing countries minimize or escape the dangerous abuses that often accompany foreign direct investment in low labor-intensive operations?

Global critics feel that “the race to the bottom phenomenon is what happens; they say when world markets are opened to free, unfettered trade. In addition without transnational labor guidelines and regulations, big corporations will look to place factories and manufacturing plants in countries with the most relaxed environmental and labor standards for multi-purpose advantages.

Are sweatshops a stop on the road to prosperity? “Maybe so opinions vary but, records indicate this theory. Human rights, low wages, and less protection for workers that dominate export markets, or attract the mammoth amount of share in foreign direct investment supports the previous theory. Only with the prosperity brought by international trade, globalization’s adherents say, can a country then afford to demand better working conditions for its workers. This means every prosperous country today once employed child labor in its economic adolescence that would today be considered “sweatshop” working conditions. (Radley Balko)

Do sweatshops have a common ground? At the end of the day there are at least a few areas in which both free traders and anti-sweatshop crusaders can agree. Most free trade advocates agree, for example that benefiting

from slave labor is no better than theft. Sweatshop workers are often the envy of their communities they make more money than the farmhands or beggars. The key to building prosperity is choice, and if workers don't have the option to quit, or to take a job with a factory across town offering better wages, the "free" in "free trade" is a misnomer, and the benefits of globalization are tainted. (Radley, Balko)

How can developing countries minimize or escape the dangerous abuses that often accompany foreign direct investment in low labor-intensive operations? The list of dangers and difficulties linked to foreign direct investor and associated subcontractor operations in low -skill, labor-intensive operations is quite long but, perhaps somewhat surprisingly, so is the list of possible benefits and opportunities.(Theodore H. Moran)

ANALYSIS PART 1 (Perception of the race to the bottom phenomenon)

Sweatshops are an ongoing problem throughout the global economy, especially in the developing countries. There is more than 90% of child labor and sweatshop market employed in the rural areas of Asia and Africa. Even though there are a lot of developed countries that oppose child labor and sweatshops because of moral and ethical reason.

They feel that the companies are taking advantage of the developing countries and exploiting their children just to make a profit. However, the developed countries have to understand the social and economic cost, the standard living conditions, and having a good grasp of what people living in these developing countries might go through. Sweatshops might be the answer and not the problem in developing a country.

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Furthermore, the importance of having sweatshops is that it automatically creates jobs for the rural areas of these developing countries. These new jobs can pay up to two or three times as much of minimum wage, which gives the people more money to spend and this helps develop the country because the average income rate is rising.

The developing countries will “ say that it is morally and ethically wrong for companies to move their business to rural and developing countries, because they are not being paid as much as developed countries”. In addition, they are making their employees work 84-105 hours a week compared to the United States traditional 40 hours, and sometimes the salary is 60% - 80% lower than a company will pay in the United States. Just to add, sweatshops are viewed as over working their employees causing and creating hazardous and unhealthy working conditions.

How would life be in developing countries without sweatshops? Since sweatshops create new jobs and new opportunity for the people in these rural areas, without the sweatshops the new jobs and opportunity would be gone. This will lead to young women and men prostituting themselves just to make money to survive. Also, starvation will become a huge factor in the developing countries, because without any jobs opportunity for an unskilled worker becomes narrow, without an education.

People will have limited choices, for example possibly starving or stealing; which overtime will lead to additive violence, and eventually raise the crime rate because people have to survive. Nevertheless, since sweatshops are in a rural area it helps monitor the crime rates, starvation, and increases the

dream of education because families are given opportunity to become more skilled alongside an ample income, paving a new way for the next generation.

Therefore, as we learned in our International Business class, some of the developed countries can be bias and hypocritical because developed countries previously endorsed a sweatshop opportunity to gain existence and power in the market, examples are South Korea, and Taiwan. More importantly a majority of developing countries will embrace this vicious cycle for exposure, skill, and hands on awareness of a volatile market.

Analysis Part II Sweatshops and Prosperity

Sweatshops are good for globalization and prosperity because of comparative advantages in the market, which help the developing countries grow in the long run. Sweatshops will give developing people in rural areas a set of skills that will help them to compete in the International market. Companies like Nike and Wal-Mart help develop these countries by giving them the opportunity to learn how to do things those consumers and companies in develop countries take for granted.

In return the skills sets learned will manufacture undeveloped countries, while increasing competitiveness and assembling products cheaper but still efficient, will engage a higher demand and raise the GDP of undeveloped countries. The thought of stability supports prosperity which is rare globally, so if opportunity renders freedom of choice for developing countries the debate becomes simple and survival is usually submitted.

Analysis III Are Sweatshops common ground?

Common ground is usually effective if the government in the host country is held accountable in the international community. Therefore the fundamental disagreement about sweatshops revolves debate about fairness. Western companies benefit from cheap labor in the developing world; sweatshop activists say western corporations can afford to pay artificial “ living” wages and that anything less reeks exploitation.

Further arguments include corporate governments penalizing the western companies internally if better working conditions aren’t offered to the developed countries or consumers refraining from purchasing products.

Common ground becomes a factor, globalist say if that happens western corporations have no incentive to invest in the third world in the first place. Developing countries have two choices when negotiating common ground, (1) embrace foreign investment, (2) demand wages not proportional to what their national labor market would naturally allow. In most cases, the track that delivers prosperity (1) or the track that produces continued poverty (2) will lend clues to the debate and the winning verdict.

Analysis IV. FDI in low labor-intensive operations

Global markets gain their questionable state of regimen through rules that are stated in trade agreements, labor laws, and factors that give constructions on gender. Once you understand markets as institutions it will allow you to link the globalization of the apparel industry to US foreign

policies. Major players within in the US textile and apparel industries seem to hold different trade strategies in store for use.

The textile industry benefits from rule-of-origin protections, the apparel industry benefits from free trade without restrictions. Large-scale retailers became key political players. Unions opposed free-trade arrangements with developing countries that they believe foster a “race to the bottom” type of mentality”. Overall the previous information about trade and apparel just emphasizes the importance of growth and power in the free trade market which elaborates capitalism and the issues of transparency simultaneously.

In transition, developing countries do have a strategy for attracting investors to low-wage export industries to establish special export processing zones or free trade zones. Nevertheless the objective of establishing EPZs and FTZs is to provide foreign investors and their subcontractors with freedom duties on the capital equipment and components while exempting many governments from various labor regulations in the zones, including the organization of labor unions.

Foreign Direct Investment in low wage, low-skill host countries has two sides’ failure and success. Positive is that when FDI is implemented in undeveloped rural areas potential benefits of a new life are given such as jobs, skills, agenda, choices, opportunities, etc.

Negative outcomes of FDI is that deception and bondage may be used to prevent the people from leaving their jobs; in extreme situations recruiters and agents set up networks in which family members arrange to pay off

loans by selling their children into contract labor. In addition, workers may <https://assignbuster.com/sweatshops-and-the-race-to-the-bottom-phenomenon-economics-essay/>

receive no benefits such as social security alongside workers being deprived promotion and benefits of seniority.

CONCLUSION

Analysis Part I

The race to the bottom phenomenon can be viewed as an advantage or disadvantage. Most global critics tend to view corporations and retailers taking credit for offering jobs and services to a weaker opponent, but not using internal ethics as a navigator to promote a safer healthier work environment.

Nevertheless you're able to see the pros and the cons but overall my opinion clearly states that globalization and capitalism at the bottom can be harsh but stability equates to balance which means development needs more pros than cons overall but we all start from an infant stage to adolescence yearning for maturity and experience.

Analysis Part II

Are sweatshops a stop to the road to prosperity? Yes I feel that prosperity is not just tangible riches that a person or country endures, but the intangibles that are benefited from prosperity are much greater. So the resolution is to sweatshops overall being prosperous is government ethics meaning that leadership starts from above and trickles down. To be prosperous means sacrifice, discipline, and patience, but these qualities define moral ethics and the sweatshop or the corporate retailer can't establish a culture that has to come from the developing country internally.

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Analysis Part III

Are sweatshops common ground? This question brings joy to me because this interrogative statement revolves around the debater and their view. However I consider myself a debater so let me elaborate yes and my reasons why are this history teaches you about the past meaning you may have or not endured historical moments or events during the time line of your life; which remotely if successful allow you and your family comfort.

Just to add if you've never endured something but wanted more how can you deprive a choice of opportunity to another person or country without bearing the conditions or lifestyle they represent. So my inclination of common ground is the specimen of experience and the verdict well that would be the individual's choice.

Analysis Part IV

How can developing countries minimize or escape the dangerous abuses that often accompany foreign direct investment in low labor-intensive operations? FDI are benefits of investors that see potential from an undeveloped country starting with lack of opportunity, few choices, skill, education, health care, and other fundamentals of a higher standard living.

In addition, there are disadvantages of countries with FDI such as benefits, working conditions, employee treatment. But to minimize or escape the dangerous abuses a host country must hold the government accountable and the standards that they allow corporations to work under and the ethics and treatment that follows.

Labor unions and police monitoring is a start because that enforces accountability which leads to other interest groups in the future and set a precedence of standards throughout internally which will tap the external zone/developed countries or corporate retailers. Globalization and trade derived from conditions such as sweatshops, slavery, bondage, and to enhance undeveloped countries means upgrade the conditions and the legal environment.