

## EXPORT INCENTIVES & DOMESTIC ACTIVISTS

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There is a complementary relationship between export incentives and domestic activists in improving workers' rights in global supply chains. Governments will repress labour in order to boost export competitiveness; resistance is then sporadic, ineffective, and dangerous. If governments anticipate economic rewards, they may reduce labour repression; but domestic activists must simultaneously mobilise for substantive reforms. I demonstrate this by exploiting within-case variation in Bangladesh and Vietnam, showing what happened before the introduction of export incentives; in their presence; and after they subsided. Vietnam liberalised labour laws in order to join the Trans-Pacific Partnership; and Bangladesh did likewise in order to salvage its reputation after Rana Plaza. Activists became less fearful once Bangladeshi politicians had announced reforms. They registered unions, demonstrated en masse, and secured a 77% increase in the minimum wage. In Vietnam, party reformists were crucial in persuading their conservative colleagues that TPP would help strengthen the regime's hold on power, while pushing for genuinely independent unions. This paper explicates the synergies between export incentives and domestic mobilisation by connecting protagonists' motivations to macro-level reforms, via process-tracing and in-depth qualitative research. By establishing common effects in very different case studies, this paper confirms external validity.

**Keywords:** workers' rights; global supply chains; trade; trade deals; Vietnam; Bangladesh

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## **(1) Introduction**

Labour repression is endemic in global supply chains. This is widely recognised (Anner, 2015; Bartley, 2018). Less known and more contested is how to abate it (Berliner et al, 2015). This paper improves our understanding of how to improve workers' rights in global supply chains by examining the impact of export incentives for pro-labour reforms in Vietnam and Bangladesh.

The Government of Vietnam announced it would permit independent unions in order to join the Trans-Pacific Partnership (TPP). Labour reforms were a condition for TPP membership and increased market access. The Government of Bangladesh loosened constraints on trade unions in order to salvage its reputation after the Rana Plaza tragedy. In this case, labour reforms were required to *preserve access to existing markets*.

In both countries, domestic reformists and activists were legitimised and made hopeful by export incentives. Then they could safely advance their pre-existing agenda, including higher wages.

However, when export incentives weakened so did pro-labour reforms. After Trump's election, the USA withdrew from TPP. The Government of Vietnam then stalled legislative change and cracked down on dissent. In Bangladesh, the Government saw that buyers had neither fled nor mandated labour reforms, but were squeezing prices. Therefore both governments ceased to regard labour repression as an impediment to exports and ramped up repression.

This paper contributes to the literature in the following ways. First, it demonstrates two complementary conditions: export incentives *and* domestic reformists. Only when export incentives shifted did pro-growth governments reduce labour repression. Crucially then, emboldened reformists mobilised for substantive change. Second, it shows this by exploiting within-case variation in Vietnam and Bangladesh: charting what happened before pro-labour export incentives, in the presence of incentives, and once they subsided. In the absence of export incentives, domestic mobilisation is sporadic/ dangerous/ ineffective. Third, this paper connects protagonists' motivations with macro-level changes via careful process-tracing and in-depth qualitative research (60+ interviews). To understand why governments reduce labour repression, we need to focus on protagonists' motivations. Fourth, by establishing common effects in two very different case studies (Vietnam and Bangladesh), this paper confirms external validity.

## **(2) Literature Review**

This section synthesises what we know about how to reduce labour repression in global supply chains, and what kind of research is needed to further our understanding

We know that domestic politics matters. Workers have more rights in countries with higher union density, stronger political democracy, and more representation by left-wing political parties in the executive and legislature. (Berliner et al, 2015; Mosley, 2010; Ronconi, 2012). Organised labour has played a crucial role by publicising and decrying abuses; striking and disrupting production; campaigning for reform; and securing concerted increases in the minimum wage (Ashraf and Prentice, forthcoming; Harrison and Scorse, 2010; Siddiqi, 2009; Trần, 2007; Yoon, 2009). Workers' organisations can also buttress state capacity through co-enforcement of regulation (Amengual and Chiro, forthcoming; Amengual and Fine, 2017). Stronger civil society is associated with regulatory enforcement (Distelhorst et al, 2015; Toffel et al, 2015).

But organised labour is severely threatened - by dismissals, blacklisting, hired thugs, and brutal police. Workers observing widespread labour repression may become dispirited (Evans, 2018). Yet, workers struggle to overturn repressive laws in the absence of strong independent labour movements. This creates a chicken-and-egg problem that frustrates collective organising, better laws, and higher pay.

Labour repression is exacerbated by export incentives. Governments in low- and middle-income countries repress labour to keep costs low and maintain export competitiveness. Competition is especially fierce in low-end supply chains, where there are large pools of cheap labour, few barriers to entry, and multiple suppliers (Anner, forthcoming). Buyers set prices, and credibly threaten to source from cheaper alternatives

(Anner, 2015; Bartley, 2018). As footloose buyers scour the world for the lowest price point, exporters cut costs by increasing work intensity, cutting corners on safety, curtailing labour inspectorates, and neutering trade unions (Anner, forthcoming; Berliner et al, 2015).

Export competition in low-end supply chains reinforces a ‘race to the bottom’ in labour rights. When one government quashes workers’ freedom of association and collective bargaining rights, other countries tend to follow suit in order to remain competitive (Wang, 2018). The Cambodian Prime Minister Hun Sen told workers: ‘Employers won’t stay if the price of labour is expensive. There’s no way they could endure to stay if the minimum wage continues to increase. Be reasonable for your employers because if they go bankrupt, they will move to another location’ (Barrie, 2018, cited in Anner, 2019).

Over time, this ‘race to the bottom’ is associated with trade openness (Blanton and Blanton, 2016; Mosley and Uno, 2007). There is also a strong correlation between unit prices and workers’ rights among the top twenty garment exporters to the USA. When prices fall, workers’ rights worsen (Anner, 2013). Manufacturers who are squeezed by prices tend to oppose labour regulation (Amengual 2017). Unable to negotiate prices with buyers, they lower unit cost by increasing work intensity, e.g., through piece-rate incentives, mandatory overtime, and no weekend breaks (Ashraf and Prentice, forthcoming).

If governments increase labour repression when export competitiveness is determined by costs, we might expect them to reduce repression in the presence of pro-labour export incentives. Indeed, countries that export to places with stronger labour rights also tend to reform their labour laws (Greenhill et al, 2009; Adolph et al, 2017; Newman et al, 2018). Similarly, Vietnamese manufacturers expressed greater willingness to improve wages and working conditions in order to enter high value foreign markets (Malesky and Moseley, 2019).

Labour reforms could also be incentivised by preferential trade agreements (PTAs) with strict labour conditionalities. For example, the desire for increased market access motivated otherwise reluctant Caribbean and Central American governments to reform their labour codes (Frundt, 1998). In response to US trade threats, the Government of the Dominican Republic revised its labour code, improved enforcement, and used industrial policy to motivate firm compliance (Schrank, 2013; see also Hafner-Burton, 2013).

However, pro-labour provisions in PTAs are seldom enforced. Importing country governments often ignore violations, prioritising diplomatic or commercial relations (Frundt, 1998; Giumelli and van Roozendaal, 2017; Greenhill, 2010; Hafner-Burton et al, forthcoming; Kim, 2012). Even if importing country governments did prioritise workers’ rights, they would struggle to monitor and sanction non-compliance.

Moreover, the broad consensus in the literature is that external pressure / incentives are insufficient for substantive reform (Andrews et al 2017; Krasner and Weinstein, 2014). One reason for this may be that conditionalities do not necessarily incentivise the enforcement of reforms by exporting governments. If a regime is not already doing X, external incentives per se do not create the *desire* to do X, but only the façade of X. Without a countervailing force on the ground to reveal non-compliance, the façade persists (Hafner-Burton, 2013; Neumayer, 2005). This is evident in the aforementioned study by Greenhill et al (2009): although countries that export to places with stronger collective labour rights tend to follow suit with *legislation*, the association with *labour practices* is much weaker.

Another hypothesis is that PTAs and other forms of global integration motivate pro-labour reforms, not through incentives, but through *socialisation*. Perhaps countries join international institutions, revise their internalised ideologies, and then embrace labour rights intrinsically (Greenhill, 2010). Others speculate that trade deals improve outcomes by strengthening capacities (Aissi et al, 2018). Quantitative research struggles to test these different mechanisms (ideologies, incentives, capacities), as their hypothesised effects are identical (as noted by Mansfield and Milner, 2012:176).

In order to understand the drivers of pro-labour reforms, we need to connect protagonists’ reasons for acting with their changing domestic and international circumstances.

First, we must examine exporting country governments' *motivations*. Typically, they have been portrayed as passive subjects of 'external pressure': 'forced to be good', 'trade partners don't want human rights' (Hafner-Burton, 2013: 118; Tran et al, 2017). This narrative urgently requires revision, because the effectiveness of trade sanctions depends on why exporting country governments agree PTAs in the first place. Their motivations may include market access, geopolitical security, international reputations, and entrenching domestic reforms. The literature's passive framing obscures these priorities and clouds our understanding.

Second, we need to get inside the black box of domestic politics - in order to understand what strengthens pro-labour reformists and how they use international mechanisms to further their agendas. Research on trade-labour conditionalities often treats countries as units and obscures internal divisions. This echoes the methodological nationalism of classic International Relations theory.<sup>1</sup> Meanwhile, many studies of Contentious Politics construct a monolithic 'state versus society'. Yet demands for reform do not exclusively come from political rivals or social movements. Reformists *within* the party-state were critical to economic liberalisation in East Asia (Breslin, 2003; Fforde et al, 2017; Malesky, 2008; Vu-Thanh, 2017). Within any governing coalition there is always a diversity of perceived interests and norm perceptions. 'Reaching consensus is possible, but it is always fragile and transitory [in Vietnam]. Politics in this collective-leadership system is perpetual renegotiation' (Elliot, 2012:12). Given such contention, decision-makers may use preferential trade agreements to lock-in their pre-existing objectives for domestic reform (Baccini and Urpelainen, 2014; Eckhardt and Wang, forthcoming). As argued in a recent Annual Review, 'research should continue delving into the micro-politics of preferential trade liberalisation' (Baccini, 2019).

Third, studies on the impact of labour conditionalities in trade agreements reveal positive impacts in some but not other contexts. This heterogeneity likely reflects the diversity of perceived interests and expectations within exporting countries – including the reasons for seeking PTAs in the first place, and the perceived risks of non-compliance. For instance, most governments improved workers' *de jure* rights before signing a PTA with the USA, but Latin American countries bucked this trend (Kim, 2012). Perhaps they believed that the US prioritised the formation of a regional economic bloc and did not see sanctions for labour repression as a credible threat (ibid:717). Hence in order to understand the heterogeneous impacts of PTAs, we need to trace exporters' expectations and perceived interests.

Fourth, cross-country regressions of PTAs, FDI, and trade openness do not tell us the precise mechanisms by which national reforms take place, nor the relative importance of international and domestic factors, nor the mechanism by which domestic politics is influenced by international integration. Is it due to international socialisation or incentives? Instead of regressing measures of international integration, we need to understand protagonists' motivations. Only qualitative research - ideally comparative and/or exploiting within-case variation - can reveal why specific governments choose to reduce labour repression.

Fifth, we must understand interactions between export incentives and domestic mobilisation. International economic incentives appear to motivate *de jure* reforms and enable activists to mobilise for *de facto* change. For example, the Government of Indonesia permitted independent trade unions partly in order to benefit from increased market access and international financing (in the wake of the Asian financial crisis) (Caraway, 2004).<sup>2</sup> Once labour repression subsided, workers mobilised for higher wages, and secured incremental gains (Caraway, 2004; Panimbang and Mufakhir, 2018). Cross-national research on trade-labour conditionalities in Central America also suggests the crucial role of local activism (Frundt, 1998). After post-Soviet states ratified international human rights treaties to secure economic benefits, canny activists then capitalised on these 'insincere commitments' to hold their governments accountable (Smith-Cannoy, 2012;

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1 Research on PTAs increasingly emphasises domestic politics (Milner, 1997). Curiously though, this focus is not always shared by the sub-set of literature on trade-labour conditionalities.

2 It was also partly motivated by mass protests, and ongoing democratisation.

see also Simmons, 2009 for broader trends).<sup>3</sup> Each of these cases reveals synergies between domestic mobilisation and external incentives – respectively, PTAs, foreign aid, and EU accession.<sup>4</sup>

In sum, we do not know how to abate labour repression in global supply chains. We do know that strong, independent labour movements are critical for workers' rights yet they are violently repressed. Such violence intimidates workers, perpetuates hopelessness, and deters unionisation. Without organising collectively, workers struggle to secure wage hikes and contest anti-union legislation. This chicken-and-egg problem is perpetuated by domestic politics *and* global competition for price-sensitive buyers. Intuitively, we might expect governments to reduce repression in the presence of pro-labour incentives. But this has not yet been shown. There is an urgent need for a political economy of labour reforms which links international incentives with domestic actors' motivations.

### (3) Theoretical Framework

My analysis of why pro-labour reforms are adopted by export-orientated developing countries is rooted in protagonists' *reasons for acting* - their beliefs and desires. I pay particular attention to protagonists' 'perceived interests', e.g. market access, geopolitical security, economic growth, and social stability. Their interests are subjective and cannot be known *a priori*. Governments may not necessarily prioritise increased market access – exceptions include North Korea and the United Kingdom. They may be more concerned to strengthen regime control or preserve national sovereignty. One's perceived interests are shaped by both material circumstances and beliefs about how others will react.

Besides perceived interests, this paper also addresses beliefs. These include individuals' internalised ideologies (beliefs they personally endorse, perhaps uncritically) and *norm perceptions* (beliefs about what others will support or condemn).

Both kinds of beliefs are developed through observation and interaction: reading party decrees, listening to the radio, learning about un/successful strikes, hearing about mass arrests, and being evaluated at work. Politicians, civil servants, factory owners, unionists, and workers see which ideas and activities are celebrated or chastised, then anticipate similar treatment. Even if they privately sympathise with dissidents, reformists may stay quiet if they see dissidents being arrested or replaced by party loyalists. Fearing backlash, they may prefer to self-censor (as Li, 2018; Perry, 2012; Stern and Hassid, 2012 detail in China): keeping their heads down, and advancing individually through clientelist relations with the party-state (Chen, 2002). Norm perceptions curb open critique.

But if everyone quietly complies, people may underestimate support for reforms. This is 'pluralistic ignorance'. People only revise their norm perceptions upon seeing widespread critique, mass behavioural change, regime responsiveness, or top-down authorisation (Evans, 2018; Lohmann, 1994). But persistent repression deters open dissent, reinforces hopelessness, and deters public critique. This creates a coordination problem that thwarts political change. This paper will demonstrate that in Vietnam and Bangladesh, domestic activists overcame this chicken-and-egg problem and revised their norm perceptions thanks to a shift in export incentives.

But what counts as evidence for ideational theories? Some argue that decision-makers' beliefs and desires only 'matter' if they are not reducible to material features of the case (Jacobs, 2014). However, there is no logical reason why the default explanation should be materialist. Even if our beliefs are perfectly accurate, they still shape how we process information and make behavioural choices. Beliefs and desires are thus a necessary part of the causal story, even if not exogenous.

In these ways, this paper offers a novel theoretical approach: seeing people's reasons for acting as the

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<sup>3</sup> Echoing my findings in Vietnam, Smith-Cannoy (2012) details how post-Soviet states ratified UN human rights treaties, in order to secure economic assistance, but without the intention of implementation. Activists then leveraged these mechanisms. This evidence of a two-step process (export incentives motivating *de jure* reform, followed by activists mobilising strategically for substantive change) counts against the idea of monolithic 'norm diffusion'.

<sup>4</sup> There is less evidence of synergies in non-democracies, where civil society is weak or dependent on government (Hafner-Burton, 2013; Neumayer, 2005).

underlying drivers of change. By correlating people's beliefs and expectations with specific events, this paper helps explain why, how, and when export incentives result in successful labour reforms.

#### **(4) Case Study Selection and Methodology**

Vietnam and Bangladesh are ideal comparisons because they both experienced short-lived export incentives to reduce labour repression. With all else constant, and only one variable changing, we can examine what happened before, during, and after incentives subsided. Within-case variation enables us to get at causation.

Vietnam and Bangladesh also exhibit some basic similarities. Both governments prioritise export-led growth and have been remarkably successful - with soaring exports, factories, and jobs. Between 2012 and 2017, Bangladesh's exports have increased by 8% a year, from \$26.8 to \$ 39.2 billion. Vietnam's export growth has been even faster: 13.5% a year, increasing from \$116 billion in 2012 to \$220 billion in 2017 (OEC, 2018).

Yet Vietnam and Bangladesh also exemplify different political economies of labour repression. Vietnam, a one-party communist developmental state, maintains popular legitimacy by ensuring economic growth under controlled capitalism in emulation of the Chinese model. Bangladesh, by contrast, is a multi-party democracy that is largely captured by private business interests. We can therefore examine how shifts in export incentives affect very different political contexts.

Methodologically, this paper draws on in-depth interviews with 60+ participants: senior and junior government officials; domestic business associations; foreign investors; trade union leaders; International Labour Office advisors; international non-government organisations; trade negotiators; international brands; factory managers; and workers, in Hanoi, Ho Chi Minh City, and Washington, D.C., over five months in 2017, 2018, and 2019. This paper also explores parallels in Bangladesh - drawing on the rich literature, and a broader comparative project with scholars from Vietnam and Bangladesh.

To understand participants' perspectives and priorities, I always asked open questions: never leading the discussion by mentioning possible influences. To gauge perceived interests, I inquired about individual and organisational goals, conflicting interests, top-down performance metrics, and their consequences. I also asked how others would react, and how that had changed over time.<sup>5</sup>

Only by listening to protagonists on the ground can we really understand what *they* perceive as 'incentives'. I triangulated interviews with a broad range of actors and institutions, engaged in different aspects and levels of reform. This helped corroborate and nuance diverse perspectives. Interviews were recorded, transcribed, and manually coded using emerging themes. I deliberately sought out and assessed wider data and alternative explanations, to strengthen rigor. To preserve anonymity, names have been changed and organisations obscured.

#### **(5) Before Export Incentives for Pro-Labour Reforms**

This section explores what prevailed before export incentives for pro-labour reforms. It details how mass strikes secured economic but not political concessions over the 2000-10s. Governments in both Vietnam and Bangladesh raised minimum wages, but continued to thwart independent labour movements. This constrained workers' capacity to obtain further economic concessions.

##### *Vietnam*

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<sup>5</sup> Norm perceptions can also be traced through quantitative research. To track norm perceptions, surveys can ask respondents to estimate wider support in their enterprise/ community/ country; or how they expect governments to respond, and their anticipation of repression. could be tracked over time. As an example of quantitative work on norm perceptions see Bursztyn et al (2018). This contrasts with surveyors' tendency to focus on *internalised ideologies*: "Do you want/believe X/Y?".

In Vietnam, enterprise-level strikes are permitted – as long as they are not coordinated or violent, and pose no challenge to the Communist Party of Vietnam (CPV). But the Government prohibits independent labour unions – to prevent public critique and protect regime legitimacy.

The Vietnam Confederation of Labour (VGCL) is the only permitted representative of workers permitted, but is subordinated to the CPV. Therefore, it is not an independent voice of workers. Furthermore, independent activists are beaten, detained, and arrested (Pham, 2017: 23; Vu-Thanh, 2017). In the absence of a strong, independent labour movement, private regulation struggles to improve workers' pay and conditions (Anner, 2017).

Within these constraints, Vietnamese factory workers have organised strikes to improve wages and working conditions. Given tightening labour markets in industrial zones, strikes generally secure material gains. 200,000 striking workers secured a 30% increase in the minimum wage in 2006, and mandated inflation-adjusted nationwide annual increases thereafter. In the garment industry specifically, monthly real wages increased by 40%, between 2001-2011 (WRC, 2013).

These strikes have been publicised by pro-labour journalists. Media reports of successful activism shift norm perceptions: workers learn that they *can* improve their conditions by mobilising (Chan, 2011; Do, 2011; Kerkvliet, 2011: 175; Lee, 2006; Siu and Chan, 2015; Tran, 2007). Although garment wages increased, in 2011 they were still only 29% of a living wage (WRC, 2013).

The Government fears that strikes will jeopardise production, foreign direct investment, social stability, and their legitimacy as guardians of the workers' interests (Do and van Broek, 2013). Although the Government *could* have violently quashed the strikes and suppressed media coverage (as in Bangladesh and China), instead it has tried to pre-emptively address workers' concerns through trade union reform – at least at enterprise and provincial levels. This reflects growing recognition that workers' concerns cannot be resolved through the top-down union structure, with management representation at enterprise level<sup>6</sup>. So, to prevent strike escalation, some provincial authorities have supported bottom-up union organising; bypassed enterprise unions; social dialogue; collective bargaining; and coordinated wage adjustments. However, these remain quiet, careful, subnational experiments (Do, 2011; 2017; Evans, forthcoming).

Within the national leadership, there has always been *some* support for trade union reform. In 1988, some senior party and VGCL leaders supported a more autonomous VGCL, accountable to workers (Pham, 2017:23). But in the wake of Tiananmen Square and USSR's collapse, the CPV leadership became fearful that critical, independent unions might undermine their hegemony, legitimacy, and credibility.

After a relentless strike wave in 2009, the National Assembly initiated industrial relations reform. Proposals included the establishment of labour councils at national and enterprise levels, which could be either VGCL-affiliated unions *or* workers' independent representatives. The Ministry of Labour (MOLISA) specified that they would 'not replace enterprise unions'. But VGCL reacted angrily by running aggressive newspaper articles and condemned MOLISA as trying to undermine the working class, the union movement, the party leadership, and the nation as a whole. MOLISA conceded, and reform stalled (Do, 2011:292). Although the first draft of the 2012 Labour Code had originally allowed workers to organise independently and bargain collectively inside enterprises *without* VGCL representation, nevertheless these clauses were later rescinded. (Pham, 2010: 367).

In sum, some workers, provincial authorities, and senior officials in Vietnam challenged the status quo, but were rebuffed by a party leadership which prioritised political control. Party-state officials either fell in line, or were demoted. Interviewed civil servants emphasised the dangers of calling for independent unions. Anticipating backlash, career-minded civil servants prefer to self-censor. As a VGCL official explained, '*some people within VGCL really want to change it. They see the weakness of the union. They see it's not suitable in the market economy, but being a fighter [i.e. a singular, dissenting voice] cannot do, one has to get approval from the organisation*'. Without seeing successful resistance, reformists underestimate wider support, remain

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<sup>6</sup> Union leaders are often employed as factory managers (Anner, 2017; Do, 2011; Kerkvliet, 2011: 173; Lee, 2006: 422; Pham, 2017).

despondent, and quietly conform. Repression reinforces a ‘chicken-and-egg’ problem - via norm perceptions and perceived interests.

### *Bangladesh*

In Bangladesh, successive governments have sought to boost export-competitiveness by minimising labour costs. Strategies include under-staffing labour inspectorates, permitting industry self-regulation, repressing independent labour movements with restrictive legislative and police brutality, while co-opting more acquiescent trade union leaders. Having competed for political patronage and resources, trade union leaders are seen as self-interested, corrupt, subservient to political parties, and internally divided (ITUC et al, 2016; Khanna, 2011; Rahman and Longford, 2012; Zajak, 2017). Such clientelism thwarts bottom-up pressure for regulatory enforcement.

Trade unions were banned in the 1970s under martial law. Even after they were legalised, the registration of unions still required support from 30% of workers in each enterprise, which is difficult to accomplish in large factories. Trade unions are prohibited in export-processing zones (which are also exempted from national labour legislation - Khanna, 2011). 400,000 EPZ workers are thus protected neither by unions nor labour law (Bair et al, 2018). Conditions are little better outside EPZs: minimum wages and regulations are rarely enforced, and non-compliance is seldom penalised (Rahman and Longford, 2012).<sup>7</sup> Minimum wages in Bangladesh remain the lowest among the major apparel-exporting countries, at USD 0.39 per hour (Anner, forthcoming).

Labour repression is sustained by regulatory capture and elite ideologies. 56% of politicians have business backgrounds and thus have a vested interest in business autonomy, deregulation, labour repression, and low wages (Alam and Teicher, 2012; Berliner et al, 2015; Hassan and Raihan, 2017; Jahan, 2015). Neither of the main political parties court organised labour, and both champion free-markets. Ideologically neoliberal, many politicians may regard deregulation as conducive to exports (rather than an impediment to labour productivity). They have eschewed alternatives, such as heavily investing in infrastructure and training (to increase productivity, or reduce delays at ports) (Ahmed and Nathan, 2016).

For their part, manufacturers thwart unionism with hired thugs, intimidation, threats, blacklisting, dismissals, and false criminal complaints (Ashraf and Prentice, forthcoming; HRW, 2015; 2017; ILO, 2016). Surveyed manufacturers explicitly identified low labour costs as key to international competitiveness (above all other factors, like technology, productivity, market access) (Alam and Natsuda, 2016). Many also bitterly resent and oppose trade unions (James et al, 2018).

Despite these obstacles, garment workers *have* militantly demonstrated for higher wages - in 2006, 2010, and 2014. During the large-scale violent protests of 2006, for example, workers struck at 4000 factories, burnt down 16 factories, and damaged 50 others. In the aftermath, the employers and the Government accepted workers’ demands including: the release of arrested workers and the withdrawal of criminal cases; the reopening of closed factories; better union rights and collective bargaining; a minimum wage hike; weekly day off; and maternity leave. The Government further established a Minimum Wage Board and Bangladesh Labour Act (Government of Bangladesh, 2006; Khanna, 2011).

However, many factories chose to disregard reforms agreed after the 2006 unrest, because they rightly did not perceive sanctions from understaffed, uninterested labour ministries as credible threats (Ahmed et al, 2014; Khanna, 2011; Rahman and Longford, 2012; Siddiqi, 2009). Indeed, the unskilled minimum wage was only raised to 1,662 taka (then USD\$24), not the originally agreed 3,000 taka. Worker mobilisation was outright banned in 2007, during a state of emergency. Protests that erupted in 2008, 2009, and 2010 were met with police brutality, which saw the use of rubber bullets, tear gas, water cannons, arrests, and torture (Khanna, 2011). Workers’ fear of violent reprisals may explain extremely low unionisation rates (ILO, 2014).

Outsiders have supported unions with financial and technical aid. But competition for transnational support may actually compound union divisions and rivalry, while deterring membership recruitment, democracy,

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<sup>7</sup> The ILO has repeatedly urged Bangladesh to permit unionisation in export processing zones, remove bureaucratic obstacles, and the 30% high membership threshold requirement (ILO, 2017:50) - to no avail.



and accountability (Zajak, 2017:1119; Hossain, 2019). Moreover, workshops do not lessen the reality of police brutality. And despite the minimum wage increases, the real monthly prevailing wages in the garment industry actually fell by 2.4% between 2001 and 2011. Prevailing wages were just 14% of the living wage in Bangladesh. This was true in both 2001 and 2011 (WRC, 2013).

Over the 2000-10s, in Bangladesh, mass strikes did not abate labour repression. Dismissals and detention deterred further resistance. Onlookers seldom saw successful resistance and thus underestimated wider support and the possibility of political liberalisation. Norm perceptions, together with the high costs of unilateral deviation, motivated quiet conformity. This coordination problem thwarted workers' capacities to realise further economic gains (Anner, 2017; Anner et al, 2018; Locke, 2013).

## **(6) Export Incentives: Emboldening Domestic Reformists**

This section details how both governments introduced pro-labour reforms in response to export incentives after 2013.

### *Vietnam*

CPV leaders believe political control is best assured by the continuation of economic growth, foreign direct investment, international economic integration, and geopolitical alliances (Elliot, 2012; Malesky, 2008). These perceived interests and norm perceptions reflect their observations and analysis of the past three decades. By cautiously liberalising markets, the Government has achieved soaring GDP growth and nearly eradicated extreme poverty (World Bank, 2016: 152; 2018).

The Trans-Pacific Partnership (TPP) and EU Trade Agreement (EVTA) promised greater access to global markets, stronger international partnerships, and military security. Through TPP, Vietnam was estimated to gain 8-10% in GDP, a 28% increase in garment exports, and a 14% increase in real wages for unskilled labourers by 2030 (World Bank, 2016). However, the US Congress insisted upon pre-ratification reforms, including the freedom of association for labour. The EVTA also called for labour reforms, though less stringently. These export incentives made it politically acceptable within Vietnam to discuss independent trade unions, which had hitherto been regarded as seditious or even as agents of US imperialism. When the ILO cautiously convened discussions on 'international labour standards',<sup>8</sup> reformists within Vietnam were able to present 'independent unions' as a matter of international integration.

But party conservatives remained nervous that independent trade unions might threaten the communist regime's legitimacy and stability (as also noted by Pham, 2017). They resisted TPP. But in 2014, China deployed an oil rig in a disputed region of the South China Sea, triggering widespread, violent anti-China protests throughout Vietnam. Reformists exploited this geopolitical threat and domestic discontent in order to persuade their conservative colleagues that Vietnam must diversify and deepen international relationships in order to offer a bulwark against China (see also Do, 2016; Hoang, 2015; Pham, 2017: 18; Vuving, 2017).

The Vietnamese party-state has always included partisans of a Vietnamese 'glasnost'. Within the National Assembly, the Ministry of Labour, and the VGCL reformists had long privately favoured independent unions but been too scared to speak openly. TPP incentivised, legitimised, and emboldened open discussions. In a televised interview, VGCL President Dr Dang Ngoc Tung expressed VGCL's readiness to work with new unions. This top-down authorisation alleviated reformists' reluctance to speak out. As more reformists spoke out openly, others realised wider support, and became emboldened to express support. This fostered a positive feedback loop - overcoming the chicken-and-egg problem. Anticipation buzzed on Facebook and online forums; interviewed Vietnamese activists thought this might be a stepping stone to democratisation. Reformists became increasingly more vocal, and some official trade union leaders excitedly reimagined themselves as the leaders of new independent unions.

These themes are highlighted below, in five separate interviews:

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<sup>8</sup> ILO Convention 98 on the Right to Organize and Collective Bargaining; and Convention 87 on Freedom of Association and Protection of the Right to Organize.

*'The idea for change is here already, for many years... There are many people who want the labour code to move in this direction [independent unions]. The idea for trade union renovation has been here for a long time. TPP just provides an excuse for the group who wants those things to happen to move forward'* – senior civil servant.

*'When TPP wrapped up, everyone in VGCL was so eager for change'* – retired VGCL leader. 'Everyone?', I sceptically interjected. *'The technical departments were all very happy within independent unions, because at least it brings change into the trade union system'*.

*'There were many good initiatives to reform VGCL, but the top leaders didn't prioritise that. They didn't think it was necessary. That's partly because the Central Committee assess VGCL leaders based on their ability to serve the party... But people who prioritise the national interest were happy about TPP, and independent unions'* – senior, retired VGCL official [translated].<sup>9</sup>

*'The idea first came from TPP, it's very clear... People don't pressure... People will follow the law, they will not demand for the law to change'* – VGCL official (who privately supports independent unions).

*'Without the TPP, the (labour) reforms would have taken place only after 2020'* – Deputy Minister (Viet Nam News, 2016)

In December 2015, the Government Decision No 2528/QĐ-TTg ordered the ratification of ILO core conventions. In February 2016, 'the United States-Vietnam Plan for the Enhancement of Trade and Labour Relations' was agreed, permitting independent unions within both enterprises and as a national federation. This included an enforcement mechanism for penalising non-compliance (USTR, 2016). On 6<sup>th</sup> November 2016, the Central Committee issued Party Resolution 6 on international integration, permitting 'workers' organizations not affiliated to the Vietnam General Confederation of Labor'. All participants attributed this to TPP.<sup>10</sup>

Resolution 6 was only a *de jure*, not *de facto*, change. Some CPV leaders merely sought to placate the USA, while hobbling 'independent' unions, according to my participants.<sup>11</sup> Yet this announcement was still important for lessening fears of repression; motivating open discussions; enabling reformists to realise wider support; and thereby overcoming coordination problems. This echoes economic liberalisation (*doi moi*) four decades ago. The Sixth Party Congress gave prominence and legitimacy to Southern reforms by providing a 'green light to open discussion'; and enabling 'fence breakers' to share rather than conceal their improvisations (Elliot, 2012:51; Malesky, 2017:31).<sup>12</sup>

### *Bangladesh*

Export incentives similarly motivated pro-labour reforms in Bangladesh. The horrifying collapse of the Rana Plaza factory complex in 2013 (which killed over a thousand garment workers) was a global front-page horror story.<sup>13</sup> Consumers, campaigners, union federations, international institutions, and trading partners expressed grave concerns. 'Following the disaster, domestic stakeholders feared that foreign buyers would abandon the country en masse' (Bair et al, 2018). This was a huge threat as the garment industry accounted for 87% of Bangladesh's exports and 4 million jobs (ibid). Nervousness about export-growth spawned openness to reform.

*[T]he way media had been publicizing the image of the industry, there had been assumptions that the industry would not survive without global compliance measures, so we were supportive and positive about the enactment of the*

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<sup>9</sup> This statement may overstate support for reform. It is impossible to know what proportion of party-state leaders and cadres privately supported independent trade unions. But the point that open critique was deterred by desire for career progression (which was contingent upon party loyalty) was widely reiterated in my sample.

<sup>10</sup> A remarkably similar process occurred in 2006. Just before acceding to the World Trade Organisation, the Government of Vietnam briefly tolerated the existence of independent unions, though did not announce any policy changes, and the international incentive to do so was not sustained (HRW, 2009).

<sup>11</sup> See also Slater and Wong, 2013 on Asian authoritarians ceding multipartyism believing they could maintain control.

<sup>12</sup> Likewise in contemporary China, protestors tactfully adopt official language, to signal compliance, while pushing for reform (Distelhorst 2017; O'Brien and Li, 2006; Perry, 2012).

<sup>13</sup> Two factories in the complex had just been audited, against the Business Social Compliance Initiative (Donaghey and Reinecke, 2018:22).

*agreements* - industry representative (quoted in Alamgir and Banerjee, forthcoming:18; see also Hossain, 2019; Khan and Wichterich, 2017).

*‘[A]fter Rana Plaza, the Bangladesh Garment Manufacturers and Exporters Association proudly claimed the industry has eliminated any bars to forming trade unions inside factories. Amid mounting pressure from international retailers for ensuring safety compliance and worker rights, some factories opened door to labour unions to keep the business growing’* (Hammadi, 2015).

The EU and USA urged the Government of Bangladesh to improve safety and permit freedom of association. The EU<sup>14</sup> threatened trade sanctions: ‘we will put a fire under their feet a little bit’ (FT, 2013). After concerted campaigning from Democrats and labour unions, the Obama administration announced it would suspend Bangladesh’s trade privileges, for ‘insufficient progress by the Government of Bangladesh in affording Bangladeshi workers internationally recognized worker rights’ (USDOL, 2013).<sup>15,16</sup>

To salvage its reputation, the Government hastily announced pro-worker reforms. It agreed to revise the Labour Act, uphold workers’ rights, improve occupational health and safety, stipulate safety committees, and strengthen the national labour inspectorate. Workers could unionise without disclosing their supporters to factory owners. The Government also permitted the re-registration of the Bangladesh Center for Worker Solidarity, and withdrew criminal charges against its leaders (Rahman and Longford, 2014). Criminal charges were filed against the building owner and five factory owners. The Government and the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) sought to reassure buyers that factories were safe (Ashraf and Prentice, forthcoming; Hossain, forthcoming).

However, the Government did not change the 30% threshold for union formation, or EPZs’ exemption from labour laws. Bangladesh remained non-compliant with ILO core labour standards. Many of these reforms were performative promises intended to placate the international community. There is little evidence of genuine commitment or increased government funding for pro-labour reforms.

Rana Plaza also triggered domestic outcry and politicised the garment workers in particular. According to interviewed trade union leaders, the Rana tragedy strengthened the class consciousness of Bangladeshi garment workers, angered and horrified that their very lives were now imperilled by factory conditions (Hossain, forthcoming). One labour organiser called Rana Plaza ‘*botyakando*’ (an incident of mass murder) (ibid). Protesting garment workers also gained public sympathy (ibid).

But domestic outcry was *not* the primary driver of reform. Reforms were introduced specifically to placate the international community and restore business confidence. Government and BGMEA made *huge* efforts to reassure foreign buyers and governments (ibid). In announcing labour reforms, the Chairman of the Bangladeshi Parliamentary Sub-Committee on Labour Reforms stated, ‘I am hoping this will assuage *global* fears around this issue’ (Reuters, 2013, emphasis added). Bangladeshi labour activists and opposition parliamentarians explicitly criticised the government ‘for enacting the law in a hurry to please foreigners’ (ibid). That is, activists who might want to take credit for these reforms instead rebuked them.

Although pro-labour reforms were introduced in response to external incentives, Bangladeshi activists could now mobilise for further change and registered 228 new unions in 2013-2014 (Anner, forthcoming). We do not know how many of these unions represented workers’ interests. Some of these may have just been ‘yellow unions’ (Hossain, 2019). But Zajak (2017:1017,1120) finds that soaring registrations were ‘much more than just a paper exercise’, for unions strengthened their organisational skills by recruiting new members, securing their trust, collecting fees, strengthening internal democracy, and experimenting to

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14 The EU accounted for 61% of Bangladesh’s garment exports (BGMEA, 2014). It threatened to suspend Bangladesh’s duty free and quota free access to the EU (FT, 2013)

15 The suspension of U.S. trade privileges signalled grave consternation, but was not in itself materially significant (as these did not previously cover garments).

16 Likewise in 2004, US officials threatened to revoke trade preferences unless the Government of Bangladesh rescinded its ban on trade unions in Export Processing Zones. This move was publicly supported by Bangladeshi labour activists, though US insistence subsided, and in 2008 the government expressly prohibited organising in EPZs (Siddiqi, 2009).

overcome management repression. Interviewed women union leaders anticipated a more responsive, non-violent state. Feeling 'hopeful', over 50,000 workers went on strike and secured a 77% increase in the minimum wage (from USD 39 to 68 per month, Alamgir and Banerjee, forthcoming).

Very reluctantly, the Government also permitted 'the Bangladesh Accord on Fire and Building Safety' [hereafter referred to as 'The Accord']: a five-year, legally-binding, multi-stakeholder agreement between international trade union federations, 180 lead buyers, and seven Bangladeshi trade unions. Buyers committed to finance major repairs. Manufacturers committed to building safety inspections, remediation, public disclosure, elected worker-management Health and Safety Committees, as well as safety training programmes (Accord, 2015). Again, this was only permitted in order to preserve export markets. The BGMEA and Government both preferred 'the Alliance': an alternative multi-stakeholder agreement, without worker representation (Donaghey and Reinecke, forthcoming).

The Accord improved building safety. Since 2013, the Accord has inspected 1,600 factories; identified 132,000 high-risk fire, structural, and electrical concerns; and corrected 97,235 of these findings. Accord inspectors called for the immediate evacuation of 50 buildings - preventing another Rana Plaza (Anner, 2018). Participating factories must also establish democratically-elected worker-manager Health and Safety Committees and complaint mechanisms. As of March 2018, 197 worker complaints had been resolved (Donaghey and Reinecke, forthcoming). Importantly, this intervention was enabled by and contingent upon a shift in export incentives.

## **(7) Reversing Export Incentives; Reversing Pro-labour Reforms**

### *Vietnam*

Three days after the Communist Party of Vietnam issued Resolution 6, permitting independent trade unions, Trump was elected President and withdrew from TPP.<sup>17</sup> The National Assembly removed the Labour Code revision from the legislative agenda. Party leaders no longer anticipated that the USA would reward pro-labour reforms with increased market access. Progress stalled.

In 2018-19, Vietnam signed two further trade agreements: TPP minus the USA (CPTPP) and the EU-Vietnam Trade Agreement (EVTA). Party leaders perceived both economic and geopolitical gains from trade (Viet Nam News, 2018), but they no longer believed that such rewards were contingent upon labour reforms, at least not immediately.<sup>18</sup> In 2018, a senior Vietnamese negotiator explained, '*there is no specific commitment on ILO Convention 87: no specific pressures, no specific requirements, nothing like TPP*'. Furthermore, parties to CPTPP have signed side letters stipulating that Vietnam will not be sanctioned for non-implementation of labour clauses over the next five years.

The withdrawal of pro-labour export incentives bitterly disappointed Vietnamese activists.

*If the EU don't demand it, the Vietnam Government will just leave it there... The right approach is for international partners to be very loud, very aggressive, while local partners are quietly supportive. If the EU is soft and local partners are loud, it is counter-productive and very dangerous for us.*

In 2018, CPV's leadership was keen to centralise control and cracked down on dissent, no longer having TPP's strong economic incentive to do otherwise. Vietnam joined the Belt and Road initiative and re-affirmed geopolitical and economic ties with China. The 2018 Cyber Security Law is very similar to China's: authorising the removal of seditious expression; and mandating service providers disclose user data to authorities (Trinh, 2017). In July 2017, the Information and Communications Minister reported that 'Google and Facebook had removed 3,367 clips with bad and poisonous content after being requested to

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<sup>17</sup> Clinton may have done the same, as promised in her presidential campaign.

<sup>18</sup> For full details, see Chapter 13 on "Trade and Sustainable Development" [http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc\\_157373.pdf](http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157373.pdf). This reflects a difference between US and EU trade deals more broadly, with the former typically requiring stricter labour conditionalities - Leeg, 2018. In June 2019, Vietnam ratified ILO Convention 98, but this only precludes management interference in VGCL unions. Only in 2023 has Vietnam pledged to ratify Convention 87: allowing workers to establish and join unions of their own choosing.

do so by the Ministry of Information and Communications. Facebook removed more than 600 accounts that have violating content'. The Government has also mobilised over 10'000 online propagandists (just as in China). In June 2018, people were arrested for demonstrating against the draft law on special economic zones. Independent activists and bloggers are harassed, intimidated, assaulted, and detained (Human Rights Watch, 2019).

In 2018, Vietnamese NGOs struggled to gain government approval – for their existence, activities, and events (as also noted by HRW, 2019a). Without such permits, NGOs cannot receive international funding (as per Decree 93 - an old policy, now stringently enforced). Vietnamese human rights activists detailed increased police intimidation, in separate interviews:

*The scrutiny of CSOs has increased. The Government delays their projects. We have to go through several ministries to get approval, and ministries delay. Projects [approval] are hard, and heavily controlled by government... We need approval for every activity. We need a license to operate from the government. It's very difficult for us to operate...*

*Everything is a negotiation, with public security and government. We try not to be too confrontational, and we know they might cancel our event, e.g. force the venue owner to cancel the contract, or cut off the electricity... The political environment is more difficult now, because TPP ended.*

*Under TPP, it was very open, people were prepared to talk about it [Freedom of Association]. Only now it's become sensitive.*

*How can NGOs bring cases to the higher level? At the country level, we cannot do anything. There is no mechanism... The expert meeting is very closed... 'Freedom of Association' is out of the discussion.*

Disturbed by the repression in Vietnam, Members of the European Parliament (MEPs), who must approve the treaty, called for EVTA negotiations to mandate independent trade unions (Human Rights Watch, 2019b; Tremosa, 2018; Kirton-Darling, 2019). This resurgence in export incentives may help explain why the Government published a revised draft labour code in 2019. This code ostensibly allows workers to join or form a representative organisation of their own choosing; prohibits anti-union discrimination and interference; and clarifies collective bargaining. The Government also ratified ILO Convention 98, prohibiting management interference in unions.

### *Bangladesh*

As global outrage subsided and Bangladeshi products were never boycotted, the government regained confidence in the efficacy of labour repression as a tool of export-orientated development. The perceived interests of Bangladeshi politicians and manufacturers reverted to their original pre-Rana state.

The Government deliberately delayed implementation of the revised Labour Act; intimidated trade unions; interfered with their elections; and increasingly refused registration (Bair et al, 2018; ILO, 2016). By 2016, the government was rejecting nearly half the trade union applications in Dhaka and three quarters of those in Chittagong Division (ILO, 2017:49; Zajak, 2017). Even when local authorities do register unions, factories may seek a court injunction and freeze union activity for several months (ibid). Thousands of workers went on strike in December 2016 calling for the minimum wage to be tripled. 1,600 garment workers were fired. Invoking the 1974 Special Powers Act, the Government arrested and detained 35 labor organisers and workers (Ashraf and Prentice, forthcoming).<sup>19</sup> In January 2019, one garment worker was killed and another 50 injured after police fired rubber bullets, water cannons, and tear gas at 5,000 demonstrators, protesting the wage structure. Factory managers have since dismissed 11,600 workers (as estimated by IndustriALL, 2019).

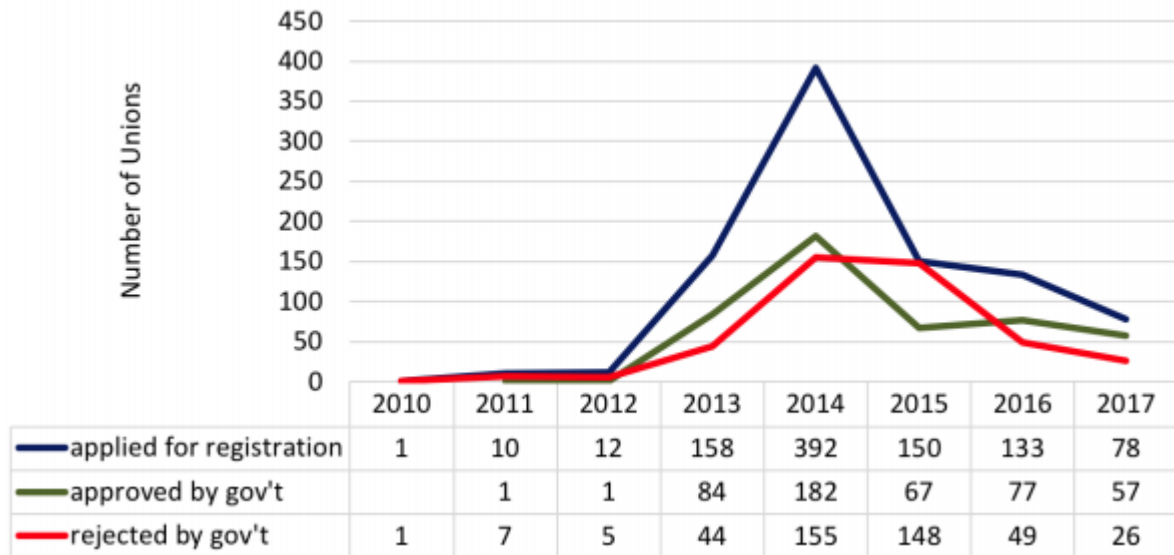
Faced once again with labour repression, workers came to anticipate rejections, and ceased trying to unionise (see Figure 1). '[I]n the current climate, there was little point in attempting to register a union' (Bair

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<sup>19</sup> The Government only agreed to release the workers and organisers because five image-conscious brands threatened to boycott the 2017 Dhaka Apparel Summit (Ashraf and Prentice, forthcoming).

et al, 2018). As a result, only 4% of surveyed workers said there was a trade union in their factory. Seldom seeing successful unionising, only 12% of surveyed workers valued the right to unionise (Kabeer, Huq, and Sulaiman 2019). Without a strong independent labour movement, real wages have fallen by 6.5%, since December 2013 (Anner, forthcoming).

**Figure 1: Trade Unions in Bangladesh’s Garment Sector**



Source: Solidarity Center, Bangladesh; presented in Anner, forthcoming.

Government commitment to building safety also appears to have waned. The national regulatory body has not overseen proficient inspections, remediation, enforcement against non-compliant factories, transparency, or fair resolution of workers’ safety complaints (according to EU, 2018:5,34; ILO, 2019; see also Daily Star, 2017). ‘The Committee observed that many of the changes it has been requesting for a number of years had either not been addressed or addressed only partially’ (EU, 2018:11). Remediation rates are low. And the government has sought to terminate the Accord. ‘We don’t need them anymore’ – insisted the Commerce Minister (Daily Star, 2018).

Bangladeshi politicians and employers have backtracked on reforms, precisely because none of their fears about a global backlash against Rana has materialised. To the contrary, international buyers have continued to source from Bangladesh and even stepped up their financial pressure on suppliers.

First, despite brutal police crackdowns in 2016 and 2019, European and US firms never curtailed purchases from Bangladesh (Ahlquist and Mosley, 2018; UNComtrade, 2019). Consequently, exports actually grew in the wake of the Rana Plaza tragedy: from 2013 to 2017, they increased from \$24.5 to \$31.4 billion (UNComtrade, 2019).

Second, those international buyers who joined the Accord never made good on their commitment to co-finance safety upgrades to factories. Thus Bangladeshi garment manufacturers, now burdened with the full costs of complying with the buildings requirements of the Accord, were unwilling to foot the bill (Alamgir and Banarjee, forthcoming; Khan and Wichterich 2015; Rahman and Rahman, 2018). The BGMEA sought to terminate the Accord (Bair et al, 2018; James et al, 2018).

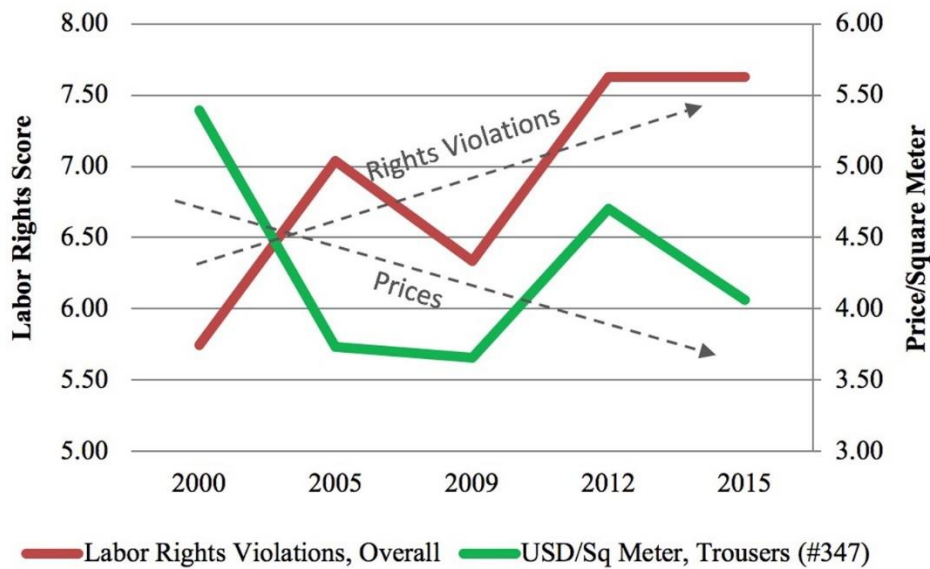
Third, despite the 2013 minimum wage hike, lead European EU and American US buyers have continued to pressure Bangladeshi factories for cost reductions. Since Rana Plaza, they have paid suppliers about 9-10% less per unit in all major product categories (Anner, forthcoming); and between 2011 and 2015, the lead times required by international buyers fell by 8%. Fashion buyers are also increasingly asking for smaller orders and varied styles. All these trends contributed to a 13% fall in Bangladeshi manufacturers’ profit margins in 2011-16 (ibid).

In compensation, Bangladeshi manufacturers increased overtime and work intensity; outsourced production to unsafe factories; and generally became less compliant in labour standards (ibid; Berik, 2017).

*‘Our buyers continue to threaten us, saying, if you don’t want to take our orders, we will go elsewhere cheaper. But factories cannot produce cheaper without cutting corners on workers’ rights – explained by the BGMEA (quoted in James et al, forthcoming).*

*‘The factories bear all the brunt of additional expenses while the signatory brands keep on bargaining for cheaper prices. It is as if owners alone are responsible for improving the workplace conditions while the buyers will not spend a single penny for the purpose’ – a factory owner complained (Daily Star, 2018).*

**Figure 2: Bangladesh: Labour Rights in Practices and Prices**



Sources: Author’s calculations based on LRI and OTEXA data.

The actions of international buyers have reinforced the dominant narrative amongst Bangladeshi politicians and manufacturers that their garment industry thrives by being the ‘cheapest’ (Alam and Natsuda, 2016; Dhaka Tribune, 2019). This perceived interest predominates in the absence of countervailing (pro-labour) incentives. Indeed, in 2016, Bangladesh exported more t-shirts than its three closest competitors by achieving the lowest unit cost (Anner, forthcoming).

**(8) Conclusion**

This paper has argued that domestic activists harness export incentives to improve workers’ rights in global supply chains.

The alternative hypothesis (export incentives alone) is not consistent with the available evidence. Despite the lure of increased market access, Vietnam’s ratification of TPP was not inevitable. Party reformists had to persuade party conservatives who strongly resisted TPP for fear that independent unions would jeopardise regime control. After export incentives had legitimised open discussions, emboldened reformists convinced conservative colleagues that power was best secured by broadening geopolitical alliances, boosting jobs through exports, and international integration. Meanwhile in Bangladesh, export incentives only motivated *de jure* reform. Mass strikes ensured a 77% hike in the minimum wage.

The other alternative hypothesis (domestic activism alone) is also not consistent with the evidence. First, domestic activists and reformists had long challenged labour repression, but had been unsuccessful. Second,

regulatory bodies in Bangladesh had long been captured by the manufacturers, and the activists were unable to gain political influence prior to the policy reforms. In Vietnam, the leadership had been more centralising and conservative from March 2016, *before* they announced support for independent unions. Third, interviewees (including those directly engaged in policy) attributed reform to export incentives. Fourth and most importantly, when export incentives were reversed, both Bangladesh and Vietnam resumed labour repression. The resumption of labour repression also counts against alternative hypotheses that trade improves human rights through persuasion and emulation, i.e. exporters adopting new beliefs about appropriate labour standards (Greenhill, 2010). Taken together, these four types of evidence strongly suggest that Vietnamese and Bangladeshi leaders only implemented pro-labour reforms to promote exports.

This paper's comparative approach was crucial to testing the alternative hypotheses and revealing the shared, underlying causal mechanisms. If one only focused on Vietnam, one might reasonably conclude that the key driver was the pre-ratification reforms. By looking at Vietnam and Bangladesh in tandem, we realise the significance of export incentives. And by connecting macro-level changes to protagonists' *motivations* and consequent behaviour, this paper explicates the full causal chain.

One cautionary note. Even if pro-labour export incentives had endured over a twenty-year period, we cannot assume that a tiny smattering of weakly organised activists/ party-state reformists could have secured substantive change. Major obstacles remained. First, the Bangladeshi textile industry competes by keeping prices low. Without higher productivity, improved quality, or shorter delays at ports, exporters would still have strong incentives for labour repression to maintain low-cost production. Second, the Communist Party of Vietnam maintains control by containing public critique. Even if the US had stayed in TPP, CPV leaders would still have *strong* incentives to hobble a strong, independent union federation. Third, across the Asian region, authoritarianism is on the rise. This may sap reformists' hopes and expectations of democratisation.<sup>20</sup>

Importantly, even if workers' rights did improve in targeted countries, this would not demonstrate the efficacy of trade-labour conditionalities in improving labour rights in the global aggregate. The underlying problem of labour repression in global supply chains is that buyers prioritise low costs, which incentivises cost-cutting at the expense of labour. Threatening one country with trade sanctions may just lead global buyers to source from another in a global game of whack-a-mole.<sup>21</sup> Thus the net effect of targeting a single country may be to improve rights in one country but worsen them in another.

Therefore, this paper has only shown the causal impact of export incentives in specific countries and situations, not how they should be designed in the long-term. Going forward, we need to understand why and how high-income countries might *entrench* pro-labour export incentives in *all* global supply chains (without jeopardising jobs). Corporate accountability is one option - making companies liable for abuses in their supply chains. This might incentivise more scrupulous sourcing. Labour repression could then cease to be an economically competitive export strategy.<sup>22</sup>

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20 Countries are more likely to democratise if their neighbours do so (Gleditsch and Ward, 2006; Haggard and Kauffman, 2016).

21 After the EU threatened Cambodia with trade sanctions, Bangladesh's exports soared. Buyers may have shifted, to avoid tariffs and maximise profits (Apparel insider, 2019).

22 From 2018, all large French companies are legally obliged to undertake human rights and environmental due diligence, or else be liable for abuses. In 2018, Switzerland's National Council voted in support of similar legislation (Evans, forthcoming).



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