



The Economic and Social Council

Topic 3: Addressing the exploitation of workers by multinational corporation in LEDCs.

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Index

1. Definition of key terms	1
2. Introduction	3
3. Background information	3
History	3
Causes	4
Consequences	6
4. Major countries involved	7
China	7
Bangladesh	7
Niger	8
Congo	8
5. UN involvement	8
6. Useful links	9

1. Definition of key terms

Per Capita Income (PCI): it is a measure of the amount of money earned per person in a nation or geographic region; the quality of life of the population and, in the case of a nation, it is calculated by dividing the country's national income by its population. (source: <https://www.investopedia.com/terms/i/income-per-capita.asp>)

Multinational corporation (MNC): it consists of a corporation, that has facilities (such as offices and/or factories) and other assets in at least one country other than its home country, but also a centralized head office where they coordinate global management. These



companies tend to have budgets that exceed those of many small countries. (source: <https://www.investopedia.com/terms/m/multinationalcorporation.asp>)

Tax heaven: it is generally an offshore country, that offers businesses little or no tax liability in a politically and economically static environment, as well as they also share limited or no financial information with foreign tax authorities. Besides, tax havens do not typically require residency or business presence for businesses to benefit from their tax policies. (source: <https://www.investopedia.com/terms/t/taxhaven.asp>)

Land grabbing: it is the issue of large-scale land acquisitions, either buying or leasing, by domestic and transnational companies; the size of the land deal is multiples of 1,000 square kilometres (100,00 hectares or 250,000 acres) and thus much larger than in the past.

Nationalism: it is an ideology and movement that promotes the interests of a particular nation, with the aim of gaining and maintaining the nation's sovereignty, according to which each nation should govern itself, without outside interference.

Imperialism: a policy or ideology of extending a country's rule over foreign nations, often by military force or by gaining political and economic control of other areas.

Labour exploitation: it is the act of treating one's workers unfairly for one's own benefit; it consists in a social relationship based on an asymmetry in a power relationship between workers and their employers.

Welfare system: provides assistance to individuals and families in need; the types and amount of welfare available to individuals and families vary depending on the country, state, or region. (source: <https://www.investopedia.com/terms/s/social-welfare-system.asp>)

Subsistence agriculture: it occurs when farmers grow food crops to feed themselves and their families; in subsistence agriculture, farm output is targeted to survival and is mostly for local requirements with little or no surplus trade.

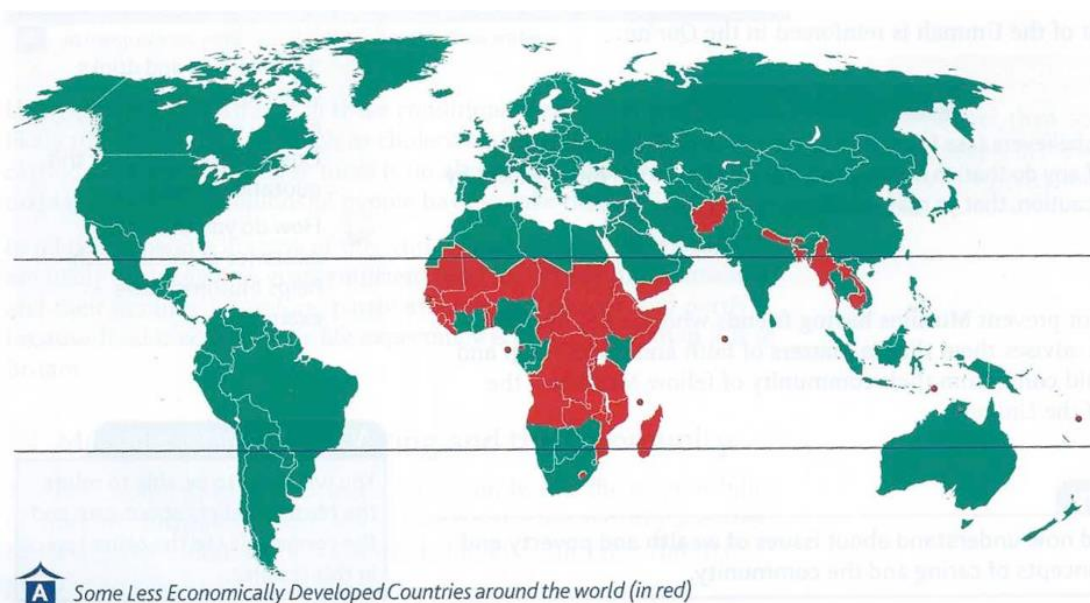
Gross Domestic Product (GDP): is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period; as a broad measure of overall domestic production, it functions as a comprehensive scorecard of the country's economic health. (source: <https://www.investopedia.com/terms/g/gdp.asp>)

2. Introduction

The Less Economically Developed Countries (LEDCs) consists of a list of 48 countries, with a total population of 880 million, whose 75% live in poverty. They are in fact characterised by a series of severe problems, as a result of which they represent the weakest and the poorest portion of the World. In particular, they all have the lowest per capita income: their economies suffer from different handicaps, such as a limited productive capacity, due to the lack of adequate infrastructures,

institutions or governance along with the ongoing struggle with enhancing social and human development. For all these reasons, they have been thus far unable to either solve their economic vulnerability: that is the reason why

multinational corporations are not only exploiting their natural resources, but also legally stealing what they are obtaining from the continent through the so-called “tax haven”, instead of providing financial assistance to these territories, notwithstanding the fact that, by doing so, they would contribute to guarantee peace and prosperity for all.



3. Background information

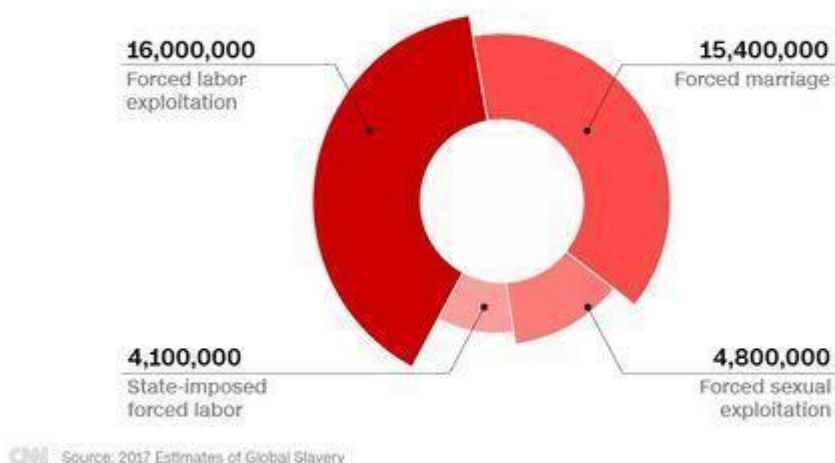
History

The World's weakest countries have always been historically subject to invasions and colonisations by the richest ones, both for economic and ideological reasons: one clear example consist in the colonisation of the African continent, during the XIX century, as a consequence of the spread of a national ideology, the so-called Nationalism, that soon afterwards culminated in the phenomenon of the Imperialism. However, even though with the passing of time the decolonisation of these territories has taken place, this issue is still existing, since there are nowadays some countries all over the World, such as the LEDCs,

where the population suffers from exploitation by some of the World's major multinational, due to their unstable political situation, along with an unstable economy.

First of all, labour exploitation is legally divided into consensual and non-consensual: the first expression means that citizens are forced to accept conditions of exploitation, due to lack of alternatives, notwithstanding the extremely low wage they earn, the several risks they may incur or the terrible hygienic conditions in which they have to live; the non-consensual exploitation is caused by violence, fraud or coercion and it includes forced prostitution, slavery or even child labour.

Breakdown of global slavery



Causes

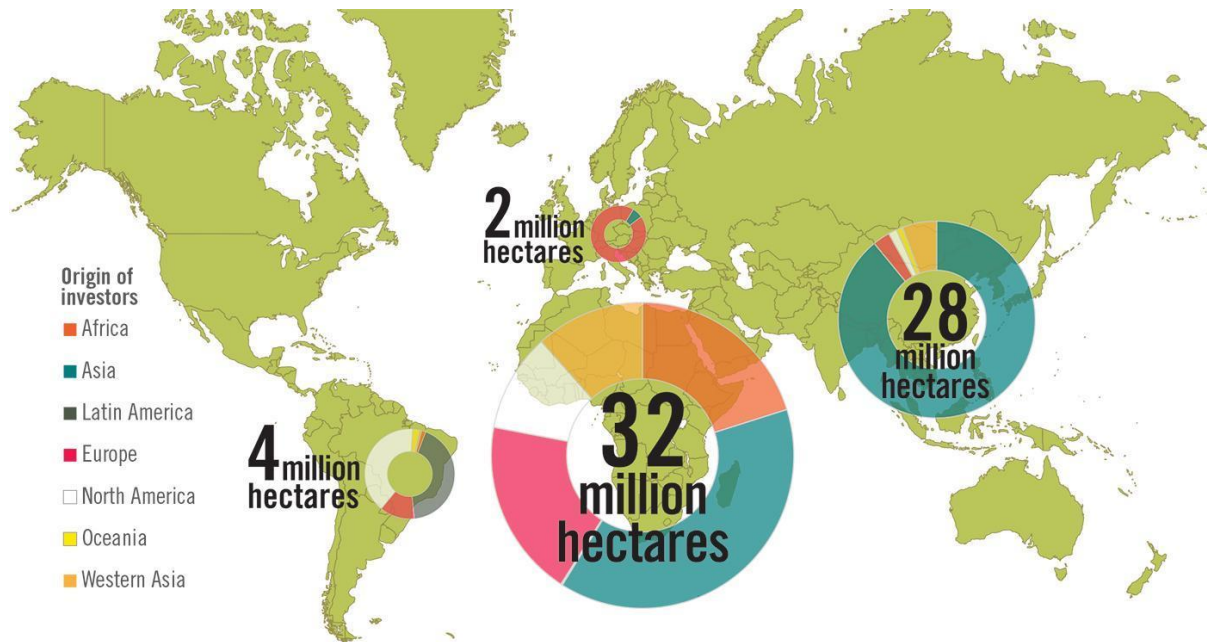
One the one hand, there are some reasons why multinational corporations have been focusing the attention on the LEDCs.

First of all, some of them, located in particular in the African continent, are rich of some of the most requested natural resources, such as metals; the Democratic Republic of Congo produces, for example, the 60% of the World's cobalt, while Zimbabwe is the fifth lithium's producer in the World. But this exploitation is not limited to metals: 63% of the World's labour force is used in agriculture, since generally the economy of the poorest countries is based on subsistence agriculture. Not surprisingly, one of the most recent phenomenon regarding the issue is the so-called "land grabbing", according to which, since 2007-08, the multinational corporation (MNC) have been increasingly acquiring huge tracts of land, in order to use them for the intensive farming of export products. It has been estimated, that about 78 million hectares are involved in this process, that, as a consequences, leads to the exploitation not

only of the local population, that is forced either to escape, or to work in order to survive, but also of the soil, that ends up being more and more impoverished.

On the other hand, in the case of LEDCs, the main cause at the bottom of the issue is economic poverty, that

leads citizens to accept such inhumane working conditions; however, it is generally agreed that, along with poverty, there are about five other factors that play an important role, such as:

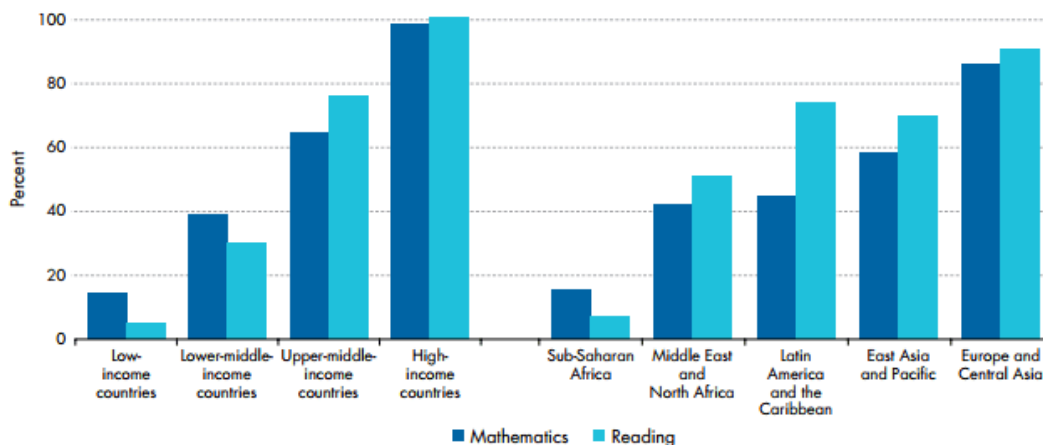


- lack of alternatives
- lack of education and, as a consequence, of personal skills
- lack of political and/or union support systems
- lack of a welfare system

Consequences

As a result, due to the high labour, companies have to maintain wages as low as possible; and since these workers are forced to live below poverty level, they are referred to as “working poor”. According to the statistics then, the majority of people involved in this kind of exploitation consists of women and children: there are about 150 million children all around the World, who are denied their right to go to school, in order to be involved in the most dangerous working situations, due to their small sizes and the fact that they are less likely to revolt or protest, since, not receiving an education, they are aware neither of their conditions nor the rights they could claim. According to the International Labour Organisation (ILO)'s data, for example, about 74 million children are obliged to work in mines, especially in Cambodia, being exposed to detrimental chemicals along with dangerous machinery; in Zimbabwe, they are employed in tea plantations, while in Bangladesh in the textile industry and in Afghanistan in the carpet's manufacture. Not to forget then, all the girls that have not the right to go to school, because they have to stay home, helping their mother taking care of the family and of the housekeeping, and that everyday are both psychologically and physically abused.

Median percentage of students in late primary school who score above a minimum proficiency level on a learning assessment, by income group and region



Source: WDR 2018 team, using "A Global Data Set on Education Quality" (2017), made available to the team by Nadir Altinok, Noam Angrist, and Harry Anthony Patrinos. Data at http://bit.do/WDR2018-Fig_Q-5.

Note: Bars show the unweighted cross-country median within country grouping. Regional averages exclude high-income countries. India and China are among the countries excluded for lack of data. Minimum proficiency in mathematics is benchmarked to the Trends in International Mathematics and Science Study (TIMSS) assessment and in reading to the Progress in International Reading Literacy Study (PIRLS) assessment. Minimum proficiency in mathematics means that students have some basic mathematical knowledge such as adding or subtracting whole numbers, recognizing familiar geometric shapes, and reading simple graphs and tables (Mullis and others 2016). Minimum proficiency in reading means that students can locate and retrieve explicitly stated detail when reading literary texts and can locate and reproduce explicitly stated information from the beginning of informational texts (Mullis and others 2012).

Moreover, another ILO's study shows how the mortality rate in LEDCs is constantly increasing, mainly for two reasons: the 90% of their population has no access to a pension system, so that they have no money nor funds in order to survive in old age; the companies, that produce in those areas, do not ensure in most cases proper laws or inspection about the workers' safety and health, notwithstanding the fact that they generally work in unsafe and illegal places, with no protection for the chemicals they are exposed to, for no less than 11-13 hour



a day, including children and women (even if pregnant), causing them permanent damage. In conclusion, it is generally agreed that at the bottom of all these problems it is necessary to consider that in the poorest countries, in particular those without a democratic government, do not guarantee neither freedom of association nor legal protection for collective bargaining.

4. Major countries involved

China

China is the main investor of multinational corporation and the main exploiter of workers, especially in Bangladesh; in fact, the first Chinese companies moved to this country in 1997, as soon as the costs and the wages in China started increasing. The first one was the LDC Group, that nowadays employs about 20,000 workers and, if at that time there were only 30 companies from Beijing, now they are about 400.

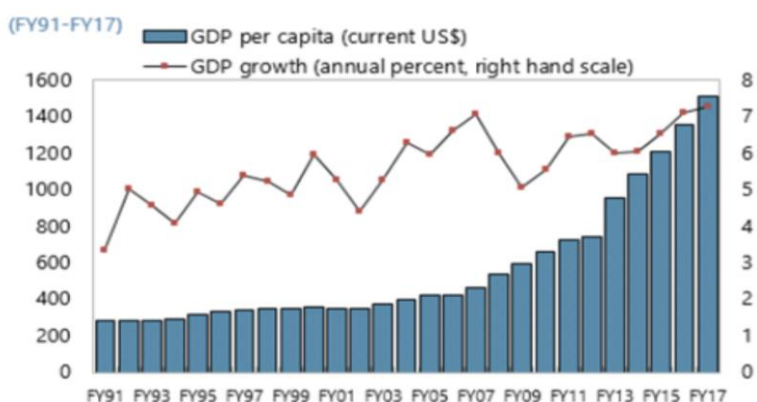
Another important Chinese entrepreneur, who ten years ago moved to Bangladesh from Hong Kong, is Felix Chang Yoe-Chong, president of the Evergreen Products Group, one of the World's biggest company of wigs: the reason behind this decision consists in the fact that if his worker's wage in China amounted to 2,000 yuan a month (250 euros), in Bangladesh the minimum wage was of 170 yuan a month (21 euros).

Bangladesh

It has been estimated that the amount of workers who are exploited by foreign companies, reach the 680,900 people. Bangladesh has always been an extremely poor country, where the average wage amount to 95 dollars a month (83 euros), import and export taxes are forced down to the minimum, as well as every kind of insurance cover.

Nevertheless, Bangladesh represent the World's second exporting country of clothing (while the first one is China) and its annual turnover is 30 million dollars; not coincidentally, the country has in recent years succeed in poverty reduction, due also to a GDP growth and urbanization

Robust growth
Bangladesh's economic growth has averaged more than 6 percent over the last decade, significantly lifting per capita incomes.
(trend of real GDP growth and GDP per capita)





progress. However, it is necessary to distinguish the rural poverty to the urban one: in fact, the majority of urban citizens consists in people who lived in the countryside and then decided to move to the cities, hoping for a better life, but who have now to live in slums, where the hygiene conditions are awful and the water's availability is limited.

Niger

Although in Niger slavery has been declared illegal in 2008, there are still about 834,200 people are subjected to labour exploitation, so one person in 200.

Congo

The Democratic Republic of Congo is considered one of the most exploited countries, due to the large amounts of raw material, such as gold, brass and diamonds; moreover, besides its economy is altogether strong, Congo is still classified as an LEDC, since it continues suffering from armed hostilities and political instability after the civil war of 1998.

5. UN involvement

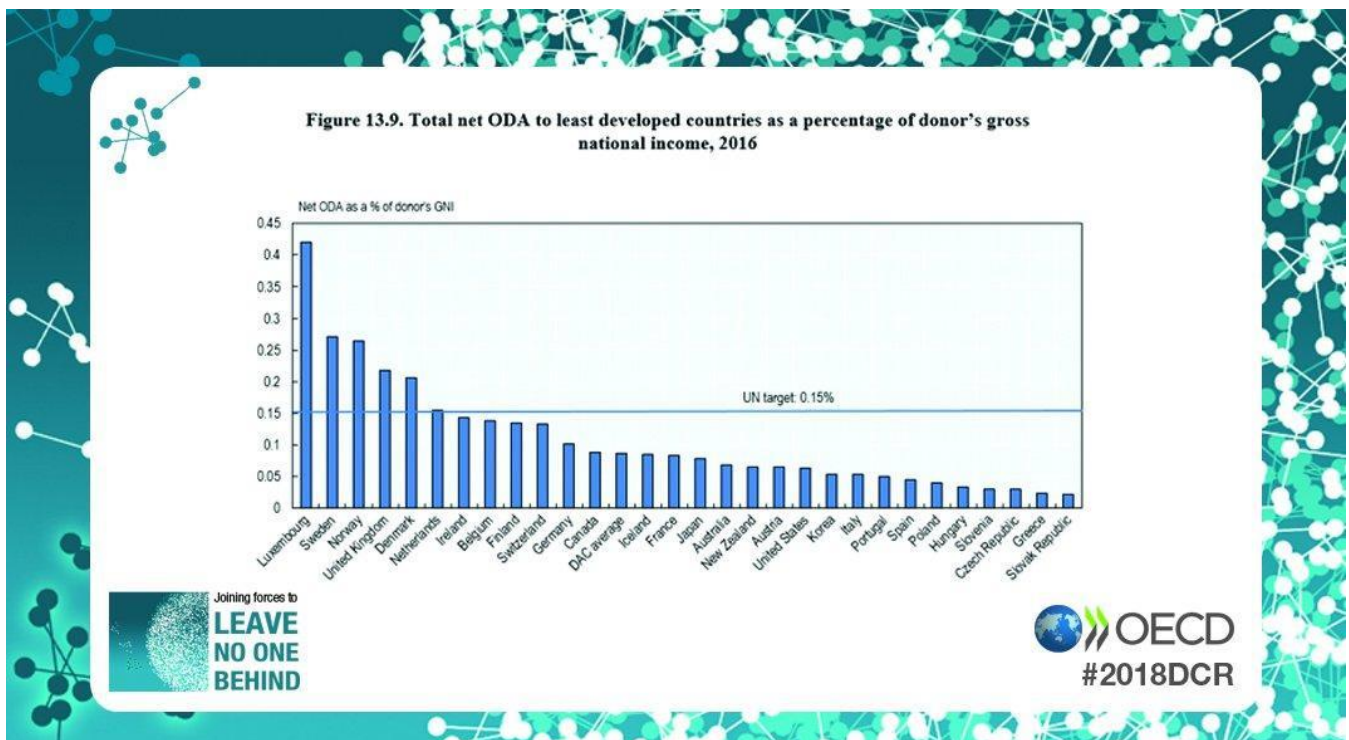
The UN have always been focused on tackling the various challenges regarding the LEDCs, organising some conferences all over the World; currently, there have already been four conferences in the past years, among which the last one in Istanbul (Turkey) in May 2011, whose purpose were:

- evaluate the results of the 10-year action plan for the Least Developed Countries adopted at the previous conference on LDCs, which took place in Brussels, Belgium, in 2001;
- enact new measures and programmes, in order to guarantee the sustainable development of the LDCs within the next decade.

For this reason, the Istanbul Programme of Action for the Least Developed Countries (IPOA) has been put into effect, but, since in 2020 it will come to an end, The General Assembly agreed to convene the Fifth United Nations Conference on the LDCs in Qatar in March 2020, in order to:

- pursue a comprehensive appraisal of IPOA implementation
- determine effective international and domestic policies, new challenging and method to solve them
- mobilize additional support measures from countries all over the World

Moreover, it must be emphasised that according to the IPOA, the LDCs should receive from every Organization for Economic Cooperation and Development (OECD)'s member a share, ranging from 0,15% to 0,20% of their gross national income; however, only five out of the 28 members achieve this goal: Luxemburg, Sweden, Norway, UK and Denmark succeed in exceeding the pro-rata share, whereas the majority of them fails to reach even the 0,10%.



6. Useful links

[UNITED NATIONS ECONOMIC and SOCIAL COUNCIL](#)

[UN list of Least Developed Countries](#)

[Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020](#)

[LDC-IV - Home](#)

[Fifth UN Conference on Least Developed Countries](#)

[General Assembly Economic and Social Council](#)

[Multinationals, Wages, and Working Conditions in Developing Countries](#)



GeMUN
Genoa Model United Nations

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[Introduction Work across Africa: labour exploitation and mobility in Southern, Eastern and Western Africa](#)

[Exploitation of Workers in Developing Countries](#)