

## Introduction: Emerging MNCs and Socioeconomic Dynamics in Asia\*

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This special issue is the brainchild of the research project *What Roles do Globalizing Actors Play?*, which began in 2018 with the research grant from the Global Research Network program of the National Research Foundation of Korea.<sup>1</sup> The research project aims to have a better understanding of “globalizing actors” within or working with multinational companies (MNCs)—individuals and organizations who create, diffuse, interpret and negotiate norms across international operations (Kern et al. 2019). In pursuing this goal, we conducted in-depth case studies of three Korean multinational corporations (MNCs), including more than 100 interviews with senior and middle managers in Korean headquarters and the foreign subsidiaries in China, Vietnam, and the United States. To share our research findings and establish an international network of researchers interested in investigating actors’ roles in the MNCs’ globalization process embedded and disembedded in formal and informal institutions, we planned a large-scale international academic conference in April 2020. Although the Covid-19 pandemic, unfortunately, forced us to cancel the planned event, the preparation process revealed the researchers with shared topical interest and our common understanding of Asia as a site of MNC operation and the source of emerging MNCs. Consequently, we gathered these researchers for a virtual workshop

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<sup>1</sup> Five researchers, including Hyunji Kwon, Seokho Kim, Joonkoo Lee, Sun Wook Chung and Jinsun Bae conducted this multi-year research grant partnered with the British research team led by Tony Edwards who initiated an ESRC (Economic and Social Research Council) funded research project on *globalizing actors* and Canadian CRIMT (Interuniversity Research Centre on Globalization and Work) research team.

in October 2020 and discovered a few shared themes centered around Asian MNCs and their evolving roles and integration into global value chains (GVCs). Our discussions and peer learning have translated into this special issue titled *Emerging MNCs and socioeconomic dynamics in Asia*.

Turbulent times is an apt metaphor for today's global economy. Economic, political, and technological uncertainties have grown continuously, and digitization accelerates the blurring of temporal and spatial boundaries of global business and work (Johns et al. 2015). While contributing to the creation of turbulence, MNCs must cope with turbulent times by altering not just business matters, but the ways in which their workforces operate globally (Smets, Morris, & Greenwood 2012). It is possible to conceptualize MNCs to exist in a contested field where organizational actors compete, negotiate, disrupt, and consistently create and recreate work norms in rapidly changing environments (Ferner, Edwards and Tempel 2012; Geppert, Becker-Ritterspach, and Mudambi 2016).

As organizations, MNCs qualify as globalizing actors in that they navigate multiple and often conflicting norms (including formal and informal rules) as they conduct business (Geppert, Becker-Ritterspach, and Mudambi 2016) while contributing to the emergence and reinforcement of global-level norms (Scherer and Palazzo 2011). In this special issue, we are keen to share scholarly efforts that examine how these norm changes occur at MNCs. We also explore their production networks and uncover how the mechanisms of norm changes differ across countries during turbulent times.

In this special issue, we pay special attention to Asia as a home of multinational companies and look at how emerging Asian MNCs have generated new dynamics in the global production network. Historically, academic literature on MNCs has portrayed Asia as a destination for international companies (mostly from the West) to operate their business. Studies have documented how these companies accessed new consumer markets, utilized local resource endowment, and pursued cheap labor by, for example, offshoring or outsourcing labor-intensive production activities (Choi and Rhee 2014). This depiction of Asia, however, is being challenged and changing. The rise of China in the global economy has encouraged scholars to pay greater attention to Chinese MNCs and China's industrial policies to upgrade its economic gains and leverage within global value chains (Gereffi 2014; Lee 2018). There has also been an increasing interest in studying MNCs from other Asian countries that have upgraded as strategic partner suppliers to global companies (Azmeah and Nadvi 2014). As a case in point, the latest global semiconductor shortage spotlights how global electronics

and automakers rely their computer chips on two major semiconductor foundries: Taiwan Semiconductor Manufacturing Company (TSMC) and Samsung (Handwerker 2021). Meanwhile, scholars and civil society organizations have continued to draw attention to the social implications of MNCs in Asian countries, such as poor working conditions in factories and farms the supply for global lead firms (Van Klaveren 2016; Kuruvilla 2021). Relatively new in this debate are the questions such as how Asian MNCs manage social implications of their business activities and how they engage with global-level norms designed to regulate the social behavior of MNCs (Merk 2014).

Asian MNCs are a relatively new phenomenon, and scholarly work on them is also less documented. Although we did not intend to include any particular nations to increase the scope when we organized this special issue, we were fortunate to have three key nations as the countries of origin: namely South Korea (the four papers by Kwon et al., Chung et al., Kim et al., and Lee), Japan (the work by Tabata), and China (the work by Chen). East Asia's industrialization and internationalization were cascaded and created shared experiences. For example, Korea, once the popular destination of Japanese manufacturing MNCs became the home of various MNCs that rushed their operation into China only a few decades later. In this process, the MNCs and globalizing actors in the region, despite being embedded in their unique national culture, institutions, and different timing of global integration, share norms and practices in the regional cascading process that might create unique regional characteristics of globalization. Besides, some common features of East Asia, including compressed modernization and the role of the strong states in the industrialization process and beyond, also heavily influenced in shaping MNCs. This aspect also explicitly and implicitly went through the presented papers.

Because MNCs tend to choose approximate destinations culturally and geographically, particularly in the early stage of internationalization in terms of their entry strategies (Contractor 2007), we also have a variety of Asia countries as destinations, including China, Vietnam, Taiwan, and Cambodia. We, of course, cover the destinations beyond Asia. For example, Chen engaged in labor issues in cobalt mines in the Democratic Republic of the Congo, which shows an aspect of the emerging research interest in Chinese MNCs venturing into Africa (Lee 2018).

Most papers also share the GVCs perspective in their analytical framework, and various industry sectors are covered in this issue. The range is extensive from manufacturing industries, including electronics (specifically, panel

display industry by Chung et al., and Tabata), automobile (Kim et al.), apparel (Kwon et al., and Park), and mining (Chen) to creative and cultural industry (Lee). Within manufacturing, the papers cover both low-tech and high-tech industries. Interestingly, the emergence of first-tier strategic suppliers has been observed both in the low-tech and the high-tech sectors. Kwon et al. (2021) investigates this emergence with the case study of a Korean apparel manufacturer. Low-tech apparel GVCs were traditionally depicted as buyer-driven because of low capability of suppliers. Kwon et al. (2012) demonstrates how the neo-liberal restructuring at the buyer level and consequent delegation of key supply chain functions enabled this company to upgrade its capabilities. As a result, mutual reliance between buyers and strategic first-tier suppliers like the case company has increased in recent years, while unequal power dynamics tilted in favor of buyers continues. This observation, together with the cutting-edge tech-based manufacturing suppliers (the paper by Chung et al.), enabled us to engage in a theoretical debate of how changes in GVC governance from uni-polar to bi-polar types happen and what are the socio-economic implications of this change.

In addition, the authors capture various types of globalizing actors, namely lead firms, suppliers, government, and international organizations. Some authors shed light on inter-organizational arrangements created and reproduced by East Asian MNCs. For example, Kim et al. (2021) explains Hyundai Motor's quasi-vertical integration of automobile parts supply system. This is based on "vertical" modularization and inclusion of both affiliate and non-affiliated parts suppliers. Hyundai Motor's global expansion has not undermined but reproduced and expanded this inter-firm relationship. By entering a foreign market together with core parts suppliers, the company was able to similarly reproduce the parts supply network that it has in the home country. On a more macro-level, Lee (2021) examines Korea's engagement in the regional value chain of the creative and cultural industry. He offers a typology of cross-cultural flow in East Asia based on the degrees of specialization and localization: export, format trade, new international division of cultural labor, and international co-production. He explains each model with the examples of Korean firms and their engagement in regional cultural flow.

This special issue also pays attention to the social implications of MNC activities in Asia. Already, a plethora of studies have examined social issues arising from MNC activities in Asia, such as violation of core labor rights, unsafe working conditions, and substandard wages in factories and farms supplying for MNCs (Van Klaveren 2016; McMullen and Majumder 2016;

Kuruvilla 2021). There has been an emerging interest in the social impact of Asian MNCs, considering that they have gained increasing prominence as strategic suppliers or new lead firms in respective industries (Merk 2014) and that these companies are assumed to face lesser degree of home country pressure on their business conduct abroad (Tashman, Marano, and Kostova 2019; Cuervo-Cazurra and Genc 2008). Several papers in this issue build upon these existing strands of literature and attempt two notable contributions. First, they shed light on non-corporate actors and their efforts to promote better work in MNC-led supply chains. Tabata (2021) identifies low wages among Taiwanese flat panel display (FPD) manufacturers as one of the negative outcomes of their strategic coupling with Japanese lead firms and advocates the Taiwanese government to promote social upgrading the local FDP industry by addressing this low wage problem and supporting human resource development. Park (2021) puts a spotlight on non-corporate globalizing actors that, in addition to monitoring the labor practices of MNCs with production bases in Cambodia, influence the country's industrial relations (IR) systems. She illustrates how international actors, mainly the United States and the International Labour Organization, devised two major industrial relations (IR) institutions of Cambodia—*Better Factories Cambodia* and *the Arbitration Council*—based on their experiences and how these institutions serve the interests of these actors with support from international apparel brands sourcing from Cambodia. As indirect outcomes of this institutional implantation, she notes that local labor unions have focused more on international campaigns and less on organizing, which led to the proliferation of small unions in the country. Second contribution of this special issue is to advance our understanding of how Asian MNCs engage with global-level norms concerning labor practices in global supply chains. Chung et al. (2021) examines how a Korean MNC in the electronics industry regulates human resource (HR) management and IR practices of its key Korean suppliers in China. East Asian MNCs, including the case company, are notable for their close long-term relationships with key suppliers and partnered foreign expansion. Such strong tie, the authors argue, is a double-edged sword when the buyer firm wants to regulate and improve labor practices at the supplier level. While the buyer can leverage its close relationship with suppliers to ensure that their suppliers improve HR and IR practices in their Chinese production facilities based on buyer's labor audits, this relationship can also hinder the buyer from actually executing penalties (including contract termination) in case of serious violation due to high switching costs of these suppliers. While Chung et al (2021) focuses on regulating labor

practices between a buyer and its suppliers, Chen (2021) examines the interaction between a company and the global value chain to which it belongs. Her work traces how the Chinese mining company, Huayou Cobalt, engaged with transnational private labor regulations during 2016-2020 in the wake of an Amnesty International's expose on the underaged workers in the cobalt mines in Democratic Republic of Congo and how the company incorporated and translated these norms into company's corporate social responsibility policies and mechanisms. She adds that an emerging MNC fulfilling key positions in global value chains like Huayou Cobalt can have a potential to shape labor norms in transnational spheres because as the company adopts these norms as corporate policies and practices, the company engages in the work of interpreting these norms and may motivate competitors and other actors in the chains to follow suit.

In this special issue, we did not include international or regional comparison. However, we expect what we learned from the papers covering the varieties of countries, industries, types of actors, and the positions in the GVCs in this issue will not only enrich our knowledge of regional integration in Asia and its socio-political implications, but also serve as the groundwork for future comparisons of Asian MNCs.

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