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Labor Rights and Foreign Direct Investment in Latin America: The Empirical Analysis of Proximity Hypothesis

Cesar H. Villegas
The University of Texas Rio Grande Valley

LABOR RIGHTS AND FOREIGN DIRECT INVESTMENT IN LATIN AMERICA: THE EMPIRICAL ANALYSIS OF PROXIMITY HYPOTHESIS

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CESAR H. VILLEGAS

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CESAR H. VILLEGAS

Committee Members

Dr. Dongkyu Kim
Chair of Committee

Dr. Paul Jorgensen
Committee Member

Dr. Monica Clua Losada
Committee Member

Dr. Mi-son Kim
Committee Member

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ABSTRACT

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What impact do labor rights practices have on foreign direct investment (FDI) in Latin America? While existing research shows how participation in the global production network influences host country's labor standards, few studies delve into reversed causal mechanisms whereby changes in labor standards affect FDI inflows. While conventional wisdom says protection of labor rights has negative influences on FDI, I argue that for Latin American countries, practical protection of labor rights attracts FDI. Practical protection of labor rights acts as a proxy and signals that host governments could protect foreign assets that are under the risk of expropriation. I expect practical increase in labor rights positively affects FDI over time. Utilizing data of 30 Latin American countries and 128 non-Latin American developing countries from 1994 to 2012, and an error correction model shows that *de facto* labor rights protection has a long-term effect on foreign direct investment in Latin America.

DEDICATION

The successes I have had throughout my master's studies would not have been possible without the motivation and guidance from the faculty and staff at the political science department. Not only did my advisor Dr. Dongkyu Kim inspire me to complete the requirements for the master's degree, but also lend his time to help me produce a high-quality masters' thesis. In addition, the continued support provided by the graduate college, especially Dr. Parwinder Grewal and Ana Giron Rubio who provided the opportunity to work on my thesis extensively through the Presidential Graduate Research Assistantship. Lastly, my family whose love and support helped me achieve my goals. Both my parents, Jesus and Bertha Villegas, provided wholehearted support as I worked long weeks and nights endlessly towards the completion of my thesis. My brothers, Juan, Francisco and Antonio who offered moral support throughout my journey at the master's program. Thank you for pushing me to achieve my dreams.

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CHAPTER I

INTRODUCTION

What impact do labor rights have on foreign direct investment (FDI) in Latin America? The Organization for Economic Development and Cooperation (OECD) defines FDI as a category of international investment through which the objective of a resident entity in one economy is to maintain the interest of an enterprise from another (OECD Glossary of Statistical Terms). Most scholars who have studied the relationship between FDI and labor rights have placed arguments within the framework of the race to the bottom (RTB) hypothesis (see. e.g., Biglaiser and Staats 2009; R. G. Blanton and Shannon 2012; Segura-Ubiergo 2007; Smith, Bolyard, and Ippolito 1999). The RTB hypothesis assumes that in the global market, countries become prisoners who are stuck in a prisoner's dilemma game. The global market symbolized through the prisoner's dilemma game forces countries to lower policy standards below that of competing nations in order to attract and retain foreign capital. Faced with the prisoner's dilemma, national norms and rules that govern industrial relations and working conditions in developing countries should be abandoned. In particular, governments in less developed countries (LDCs) are more exposed to international competitive pressures due to their need for external capital (Simmons and Elkins 2004; Wibbels and Arce 2003). Following this hypothesis, the global production chain should reduce labor rights in less developed countries.

While the burgeoning literature has previously studied mechanisms whereby FDI impacts labor rights in developing countries, few studies have looked at the reverse causal flow. Through this research, I aim to provide an alternative point of discussion where core labor rights can affect FDI in Latin American and Caribbean countries. I theorize that for these countries, long term implementation of labor rights can actually increase in FDI. In consideration of previous literature that designates property rights protections as a leading determinant of FDI (Biglaiser and Staats 2009), this research focuses on the role of practical protection of labor rights in serving as a proximity check to ensure that property rights are upheld. This paper uses proximity as an indication of a relationship between property rights protection and increasing practical protection of labor rights in Latin American and Caribbean Countries. There is an expectation that FDI responds to labor right differently when compared to other regions. Utilizing a data set of 30 Latin American and Caribbean countries and 128 non-Latin American developing countries from 1994 to 2012, this analysis of the core labor rights, freedom of association, and collective bargaining (FACB) rights provides strong evidence for these expectations.

Looking to Latin American and Caribbean (LAC) countries is important, because the way that labor rights policy interacts with FDI may be different in this region than in other developing parts of the world (refer to Appendix). When looking at FDI statistics on LACs, the effects of globalization are apparent as a region heavily dependent on foreign investment. In 2019, a world investment report showed that investment in the region would largely hold steady with the increased interest in establishing special economic zones (SEZ) intended to continue attracting FDI (UNCTAD 2018). Best stated by UNCTADS's Director of Investment and Enterprise, "there are numerous positive factors to attract investors…. natural resources, infrastructure, and consumer goods should continue to attract foreign investors." For LACs, aspects of infrastructure noticeably play a vital role in attracting FDI, and this research seeks to parcel out the question of how institutions within government work to promote stability towards attracting MNCs.

This research contributes to burgeoning debates about the relationship between FDI and labor rights in two ways. First, this research differs from the existing literature of Latin American countries by looking at the reversed casual flow and how labor rights both as to law and as the practice could potentially impact foreign direct investment. While the potential effects of globalization on labor rights in less developed countries are well documented, we know relatively less about the reverse causal mechanism and how labor rights act as a determinant of FDI. Second, The distinction between short and long-term effects of labor rights policy on FDI must be made in order to understand how it interacts as a potential determinant. Existing determinants of FDI in developing countries across the globe show an alternative view where multinational corporations seek higher labor standards (Cooke and Noble 1998). For example, some scholars find that higher labor standards could address investors' concerns about stability and consistency in industrial relations (Aidt 2002; Brown 2000; World Bank 2005). However, what is missing from the existing literature on the determinants of foreign direct investment is an assessment of the long-term impact of labor rights on attracting foreign direct investment in less developed countries in Latin America.

CHAPTER II

REVIEW OF LITERATURE

Existing research that examines the relationship between economic globalization and labor rights has arguments placed around the RTB hypothesis. It follows conventional wisdom that the integration of markets generates a race to the bottom. From increased economic integration, countries are placed within a prisoner's dilemma game where individually rational choices lead to collectively sub-optimal outcomes. In the arena for global competition, countries are involved in a competitive bidding process to continuously attract and retain foreign capital (Andrews 1994; Drezner 2001; McKenzie and Lee 1991). In this scenario of heightened competition, labor standards that increase labor costs for multinational corporations are abandoned. As competitive pressure is more acute among less developed countries (Rudra and Haggard 2005; Simmons and Elkins 2004; Wibbels 2006; Wibbels and Arce 2003), the RTB process should be more pronounced in those countries. As globalization furthers, there should be a weakening of labor standards in developing countries.

Central to arguments of the RTB hypothesis is the assumption that reduction in labor rights will attract FDI. However, the empirical evidence regarding RTB is not robust. In general, it can be said that the evidence is largely dependent on the aspect of globalization being studied. For example, Neumayer and Soysa (2006) find that trade strengthens labor rights while FDI does not have a discernible effect (see. e.g., Greenhill, Mosley, and Prakash 2009; Lim, Mosley, and Prakash 2015; Wang 2017). Considering the reciprocal relationship between foreign direct investment and labor rights, Blanton and Blanton (2012) find that FDI is negatively related to labor rights, and is largely dependent on sectoral variation. On the other hand, Mosley and Uno (2007) demonstrate opposite results wherein FDI enhances labor rights, and trade has the opposite effect (see, also Mosley 2011).

Payton and Woo (2014) show that FDI actually encourages better labor practices in developing countries. Previous studies on the determinants of foreign direct investment in developing countries have largely focused on aspects of sectoral variation, level of democracy, and the impact of bilateral treaties, to name a few (R. G. Blanton and Blanton 2012; Büthe and Milner 2008; Li and Resnick n.d.). Blanton and Blanton (2012) acknowledged that the literature, in large part, does not address the issue of sectoral variation and its impact on FDI (R. G. Blanton and Shannon 2012). On the other hand, Büthe and Milner (2008) find that being part of a trade agreement as a developing country had significantly higher FDI inflows compared to those who weren't (Büthe and Milner 2008). Existing arguments for the determinants of FDI place significance on aspects of democracy and domestic policies. However, the literature on developing countries in Latin American has not focused on the long-term impact of labor rights policies have on attracting FDI. The mechanism through which reduced labor rights could attract FDI is unclear.

Scholars that have researched specific developing countries have shown how potential determinants of foreign direct investment can vary. For countries such as Uganda, it isn't the privatization programs and incentive packages in the form of tax holidays and exemptions that attracts foreign direct investment, rather the economic and political stability through an improved business environment and improved institutional quality of African countries policy that is a stronger driving factor in attracting foreign direct investment (Borojo and Yushi 2020; Obwona

2001). Furthermore, other research on the determinants of foreign direct investment in places such as China show that depending on the firm and the country they originate from, several determining factors contribute to foreign investment. For firms based in the United States, it is the market size that matters, while for Chinese export-oriented firms it is the low labor cost that is the driving factor for foreign direct investment (Ali and Guo 2005). Other scholars have concluded that the level of governance infrastructure in addition to effect regulatory environment that promotes private sector development are what determine foreign direct investment in developing countries (Ross 2019).

While the literature has contributed to potential determinants of foreign direct investment in developing countries at large, and towards other Asian and African countries, existing research has not systematically considered labor rights as a determinant of FDI, especially within Latin American countries. Crucial to the arguments made in this paper is pinpointing potential differences in how labor rights are implemented as both law and practice. Also, by looking at both the long term and short-term effects of labor rights implementation, this research seeks to highlight how the relationship between labor rights and FDI works differently than in other less developed countries. While labor rights laws seem to be written in a way to incorporate protections for labor rights, the reality is that the practice of labor rights paint a different picture from the written law. The implementation of labor rights such as the FACB rights can attract FDI, but these laws could be a facade as Hafner-Burton, and Tsutsui (2005) allude to in their study of human rights in an era of globalization. As their findings show, countries face intense pressures to ratify international human rights treaties but cannot often align themselves with those implemented policies.

Existing research has failed to acknowledge different aspects of labor rights, specifically the distinction between *de facto* and *de jure* labor rights. By incorporating a measure for labor rights both as to law and as practice, this research aims to show how other actors could potentially influence labor rights in Latin American countries. In addition, existing research fails to consider the effect of political regimes in developing countries. As previously shown by scholars, actual governance of labor rights can be driven by different voluntary regimes such as the United Nations Global Compact (R. Blanton and Blanton 2016). As it pertains to actual governance of labor rights, it is through nation-states, in conjunction with ILO conventions that are legally binding. However, what this paper focuses on is the role that voluntary regimes could play in addition to existing state institutions. Thirdly, the literature has failed to consider both the short-term and long-term effects of increasing legal protection. Just because the state increases legal protections for labor through written laws, it will not lead to the practical implementation of those laws without specific efforts being made by other actors (Blanton & Blanton 2016). What is lacking from these studies, especially within the context of Latin America, is a systematic way of in analyzing how labor rights policy over time can impact foreign direct investment.

CHAPTER III

THEORY

Since the late twentieth century, multinational corporations have recognized the importance of labor reputation (Biersteker 1978; Richards, Gelleny, and Sacko 2001). As examples, companies such as Nike or Reebok during the 1990s were faced with the international spotlights on their foreign subsidiaries' abuse of workers were clearly linked to their economic benefits as it had stimulated social protests and consumer awareness (Locke 2013). More recently, companies such as Foxconn who assembles Apple products have received equal scrutiny for exploiting workers through long hours, unsafe working conditions, and high rates of suicide (Condliffe 2018). As a result of this international backlash, it is fair to assume that the relationship between economic and reputational concerns remain a relevant topic through today and serves as interesting background for future research.

Focusing on the role of labor rights, it may be in the best interest of multinational corporations to invest in countries that promote the rule of law and establish other protections that reduce the risk for their investments abroad. For instance, the long-term protection of *de facto* labor rights by host countries could serve as a proxy to not only appease an international audience concerned with labor rights but may also signal towards increased protection of property rights as well. The drive for multinational corporations to seek developing countries that uphold labor rights is the associated audience cost found in the global economic markets (S. L. Blanton and Blanton 2007). These associated costs come in the form of an increasing "spotlight" regime aimed at monitoring the practices of corporations and exposing violations of human rights. Multinational corporations that fail to address any human rights issues may face the “sanction of the market,” which directly impacts their reputation and image that in turn could impact their stock value (S. L. Blanton and Blanton 2007). Examples of multinationals that have faced these incurring costs due to abusive human rights violations are the sweatshops in Indonesia with Nike, and scholars have shown how multinational corporations have since been responsive to the spotlight. Companies such as Apple and Kodak working from Myanmar where the state of Massachusetts sought to sanction the country for abuse of human rights (S. L. Blanton and Blanton 2007).

In addition to the increasing “spotlight” regime, there is also the inability by developing countries to uphold labor rights within the short-term leaving private actors to pick up the slack. In this regard, scholars have shown that governance of labor rights within developing countries is in large part driven by private actors through voluntary regimes in the United Nations Global Compact (R. Blanton and Blanton 2016). Host government’s inability to uphold labor rights through law may explain why the practical protection of labor rights attracts foreign investment nonetheless, since such protections may signal to a more stable environment for multinational corporations to invest in. Just because a country increases legal protections for labor rights through written law, does not mean that it will translate to the increase in the practical implementation of those laws without specific efforts being made by other actors (Blanton & Blanton 2016). While examples of the spotlight regime seeking sanctions from multinational firms for human rights violations and other developing countries exist, they do not consider how long-term practical implementation of labor rights impact foreign direct investment in Latin American countries.

In the case of Latin America, I argue that two factors are critical to understanding how labor rights affect foreign direct investment. First, it is important to consider how the long-term protection of labor rights in LACs could potentially increase FDI. There are expectations that the practical protection of labor rights will matter more in LACs when compared to other developing regions due to the "spotlight" regime (S. L. Blanton and Blanton 2007). The second factor is the potential instability or inability of the political regime that faces Latin American less developed countries. Some scholars have shown how a nation's level of political instability and the extent of market potential as two important factors in dictating foreign direct investment (Bennett and Green 1972). This voluntary compliance of labor code in the private sectors cannot push governments for labor regulations and increase FDI in the short-term. In this region, only the practical increase in labor rights can increase FDI in the long run.

From these two perspectives, this research presents the Proximity Hypothesis. In Latin America, practical enhancement of labor rights policy can attract multinational corporations. Latin American less developed countries can increase labor rights without negatively impacting the flow of foreign direct investment, because the practical protection of labor policy works in close relationship with property rights protection signaling to multinational firms that are entering this region that it is stable for investment. The proximity of policy between property rights and labor rights protections acknowledges the significance that historical instability of political regimes in Latin America may mean towards voluntary compliance of labor code in the private sectors since governments cannot push for labor regulations in the short-term. It is from long-term continued protection of practical labor rights that signals to MNCs stability in host country and the reduced risk of expropriation as well as lack of negative optics from an international spotlight regime.

Proximity Hypothesis: In Latin America, the enhancement of de facto labor rights would increase FDI in the long run.

To understand the mechanism through which *de facto* labor rights could increase FDI, it is important to understand the potential problems that face international investors. One such consideration would be the time inconsistency dilemma that faces investors abroad are incumbent governments' actions through political business cycles (Jensen 2008). In democracies with highly contested elections, incumbent governments may manipulate fiscal policies towards impacting newly elected officials. This tactical maneuvering by the incumbent government can lead to poor economic outcomes, which is why individual electoral success is a pivotal attribute towards understanding where foreign direct investment travels abroad. In addition, property rights protections are also a significant factor which impacts investor's decisions abroad. Services dependent on just-on-time production seek the protection of property rights in foreign countries as a way to reduce the risk of expropriation. As scholars have shown, high concern for property rights protections is directly attributed to the high sunk cost attributed to foreign investment (Biglaiser and Staats 2009).

Specifically, amongst Latin American countries, scholars have shown how it is the protection of property rights that is most concerning for foreign investors. Aspects that are not directly associated with investment risk such as general economic conditions, respect for human rights or civil liberties did not have a strong impact (Biglaiser and Staats 2009). For Latin American countries, institutional weakness of political regimes may mean that protection of labor rights acts as a proxy to further attract FDI in the long run.

CHAPTER IV

DATA AND METHOD

To test the proximity hypothesis, this research looks at 30 Latin American and 128 non-Latin American countries from 1994 to 2012 (refer to Appendix A & B). An error correction model (ECM) is implemented to test the long-term effect of *de facto* FACB rights on FDI in Latin America, as well as in non-Latin American countries. Measures of FACB Law & Practice follow Wang's (2017, 2018) FACB rights coding scheme (refer to Appendix C). While Wang (2017) uses the predicted democracy score to address potential issues of endogeneity between labor rights and democracy, setting labor rights as the independent variable with a predicted democracy score for this research ensures controlling for the effect of regime type on FDI. In addition, the use of an error correction model (ECM) is necessary to understand both the short-term and long-term impact of FACB laws and practice. By using a time-lagged variable *L.FACB rights,* this research builds upon existing expectations that immediate policy change is less likely with labor rights protection and the use of an error correction model is best suited for capturing this dynamic.

One of the control variables used was democracy, which was measured through the polity score that implements a 21-point scale where larger values indicated a greater degree of democracy (Scartascini, Cruz, and Keefer 2018). A measure for the left-wing government is used to determine the degree in which the party of the chief executive in a given country leans to the left (Scartascini, Cruz, and Keefer 2018).Oil rents was used to measure the impact of economic dependence as a natural resource rent amongst developing countries(Oil rents (% of GDP) | Data Catalog n.d.). Importantly, to account for panel heteroskedasticity and spatial correlation, all models are estimated through ordinary least squares (OLS) with panel corrected standard errors (PCSE).

$$\Delta FDI_{i,t} = \varphi FDI_{i,t-1} + \beta_1 \Delta FACB\_Law_{i,t} + \beta_2 FACB\_Law_{i,t-1} + \beta_3 \Delta FACB\_Practice_{i,t} + \beta_4 FACB\_Practice_{i,t-1} + \beta_j \Delta X_{i,t} + \beta_k X_{i,t-1} + \mathcal{E}_{i,t}$$

Regarding the independent variable of FACB both as law and practice, this research utilizes Wang's (2017) coding scheme. Wang's FACB rights measures both law and practice as a way to differentiate amongst the written law and the actual application of the law. The data for this measure of FACB rights data was first compiled by Kucera (2002) spanning from 1993 to1997. Although a small-time frame, it was further improved upon by Mosley and Uno in 2007, where they expanded the time frame to cover earlier years from 1985 to 2002. The downfall of their data was the lack of countries as their data only looked at developing countries. The lack of spatial coverage means their data is limited, however, Barry et al. (2015) were the most recent scholars to embark on a new project in an attempt to code information regarding the labor protections from the United States Department of State Human Rights Reports, from 1994 through 2012 covering all states. Not only does the data include all countries, but it also updates the temporal field compared to that of Mosley and Uno.

Wang expands upon the work of Barry et al. by summing the scores of the two rights based on the similarities between them, and from these two dependent variables are generated, FACB Law and FACB practice. Each range from 0 to 4 and is representative of the five levels of labor protections he codes which measure no protection to full protection. For this study, the independent variable is Wangs measure for the FACB rights as both practice and law. The coding scheme used for freedom of association and collective bargaining rights are separate. The measure for FACB Laws indicates the types of rights such as those granting union membership and the ability to strike that are recognized by the national legislation and protected. Similarly, their measure for practice is used to measure how the country protects labor rights (Wang 2017). These are coded as either having no protection, some protection or full protection from 0 through 2 where to indicates full protection and 0 means no protections of labor rights.

This research also controls for factors such as trade, democracy, left-leaning government, as well as oil rents for each country (Nieman and Thies 2018). The democracy variable used comes from the Polity-IV project, which measures democracy in a range from 1 to 7, where the greater value signifies a country being more democratic. This paper also utilizes a measure for Left Government to identify the impact of governments that are controlled by left-leaning political parties as being more likely to promote and protect labor standards (R. Blanton and Blanton 2016). The data for left governments comes from the Database of Political Institutions (Scartascini, Cruz, and Keefer 2018). Measures of both import and export come from the world development indicators as a percentage of gross domestic product. Oil rents of countries as a percentage of gross domestic product (GDP) were also obtained utilizing the world bank under the sustainable goal's indicator. For the dependent variable, this research uses FDI inflows of each country as a percentage of GDP (refer to Appendix).

CHAPTER V

RESULTS

Table 1 represents the results of the ECM model with the time-series cross-sectional data for both Latin American and non-Latin American countries, respectively. Table 1 accounts for trade as both imports and exports, whether a country is considered to be left leaning or not shows how the long-term impact of labor rights as practice retains its significance. Looking at model one which pertains to Latin American and Caribbean countries, when accounting for democracy, oil rents, imports, and exports, there is a noticeable increase in FDI in the long run attributed to increased practical protection of labor rights. For Latin American countries, one-unit change of long-term practical protection of labor rights leads to a .319 unit change in FDI all else equal. Compared to Model 2 which are other non-Latin American developing countries, when controlling for the same variables, the associated impact of the practical protection of labor rights on FDI disappears. However, different in Model 2 is the small increase in FDI in the short term attributed to written law. In addition, Model 2 shows that for other developing countries outside Latin America, one unit increase in oil rents leads to a .037 increase in FDI within those countries. An additional sensitivity test was conducted to check the robustness of the predicted democracy score. However, results were not impacted by the democracy score variable.

Table 1 The Effect of Labor Rights on FDI: ECM Results

	Latin America	Other Developing countries
L.FDI inflows (% GDP)	-0.353***	-0.344***
	(0.0690)	(0.0663)
D.Labor Rights (law)	0.0529	0.538*
	(0.354)	(0.279)
L.Labor Rights (law)	-0.278	0.243
	(0.215)	(0.148)
D.Labor Rights (practice)	0.123	-0.297
	(0.219)	(0.278)
L.Labor Rights (practice)	**0.319****	-0.0963
	(0.132)	(0.123)
D.Oil rent	-0.0381	-0.0533
	(0.0435)	(0.0568)
L.Oil rent	-0.0177	**0.0370*****
	(0.0158)	(0.0118)
D.Democracy score	1.014	0.0467
	(0.753)	(0.251)
L.Democracy score	0.152	0.0256
	(0.274)	(0.0404)
D.ln_gdpc	4.819	**10.36*****
	(3.026)	(2.982)
L.ln_gdpc	**0.424****	-0.0277
	(0.195)	(0.0859)
D.ln_population	0.978	-1.115
	(17.64)	(7.629)
L.ln_population	-0.218*	-0.0636*
	(0.113)	(0.0357)
D.Imports (% GDP)	0.128***	0.182***
	(0.0310)	(0.0293)
L.Imports (% GDP)	0.0263**	0.0575***
	(0.0116)	(0.0136)
D.Exports (% GDP)	-0.0102*	-0.0450
	(0.00590)	(0.0324)
L.Exports (% GDP)	-0.0120	-0.0217*
	(0.00790)	(0.0113)
D.Left government	-0.172	-0.179
	(0.356)	(0.607)
L.Left government	0.357	0.0350
	(0.246)	(0.263)
Observations	347	1,248
Number of countries	20	80
R-squared	0.298	0.233

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Findings seem to show that proximity in policy between long term practical protections of labor rights and property rights protection may be a contributing factor in determining the flow of FDI within Latin America. The lack of short-term effect speaks to arguments within the literature showing how an immediate change in foreign investment is less likely to occur following labor rights change (Wang 2017b). Also, there is an expectation that this process is more likely to be seen in the long term. Overall, the initial findings of this research seem to show that in the long run, for Latin American LDCs an increase in the FACB rights leads to an increase in FDI. As the findings also suggest, the impact of labor rights on FDI is not felt immediately by Latin American countries. However, scholars have shown how the governance of labor rights is mostly driven by private actors through voluntary regimes such as the United Nations Global Compact (Blanton & Blanton 2016). Furthermore, just because the state increases legal protections for labor through written laws it will not lead to the practical implementation of those laws without specific efforts being made by other actors (Blanton & Blanton 2016).

CHAPTER VI

CONCLUSION

This study contributes to the literature in two significant ways. First, this research looks at the effects of FACB rights both as to law and practice, and its impact on FDI when compared to non-Latin American developing countries. Observable variations in the practical application of FACB laws between Latin American and non-Latin American countries emphasize how FDI reacts differently as a result of the region's extensive history of regime instability (Segura-Ubiergo 2007; Haggard and Kaufman 2008). Secondly, the results of the error correction model shed light on the impact of the proximity hypothesis, by showing how the long-term practical implementation of labor rights increases FDI in Latin American countries while at the same time having no discernable impact on non-Latin American countries. The fact that FACB rights practically increase in Latin America speaks to the inability of governments to effectively improve labor standards, leaving other actors to seek a voluntary increase in practical application.

However, for Latin American countries the effect of increasing FACB rights was only seen in practice while losing any significance as written law when considering other factors. It is from these findings that several considerations are addressed for future iterations of this research. For instance, the measure for labor rights as *de jure* and *de facto* used by Wang (2017) and others for FACB rights is one of the various ways to measure workers' rights. Potential variation amongst how both labor rights and human rights are measured may lead to certain confusions as to the accuracy in which the measure used is describing the labor rights. In addition, the time frame covered although significant does not cover years past 2012. Improvements in this study will also consider the various ways in which to measure the current impacts of labor Rights policy on Foreign Direct Investment in Latin American countries. This means potentially expanding and looking for specific examples where there is the variation amongst the impact of FDI dependent on the type of sector in question.

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APPENDIX A

APPENDIX A

LIST OF LATIN AMERICAN AND CARIBBEAN COUNTRIES

Antigua and Barbuda	Cuba	Jamaica
Argentina	Dominica	Mexico
Bahamas	Dominican Republic	Nicaragua
Barbados	Ecuador	Panama
Belize	El Salvador	Paraguay
Bolivia	Grenada	Peru
Brazil	Guatemala	Suriname
Chile	Guyana	Trinidad and Tobago
Colombia	Haiti	Uruguay
Costa Rica	Honduras	Venezuela

APPENDIX B

APPENDIX B

LIST OF NON-LATIN AMERICAN COUNTRIES

Afghanistan
Albania
Algeria
Andorra
Angola
Armenia
Azerbaijan
Bahrain
Bangladesh
Belarus
Benin
Bhutan
Bosnia & Herzegovina
Botswana
Brunei
Bulgaria
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
C. African Republic
Chad
China
Comoros
Congo
Congo,DR
Coted'Ivoire
Croatia
Djibouti
Egypt
Equatorial Guinea
Eritrea
Estonia
Fiji
Gabon
Gambia
Georgia
Ghana
Greece
Guinea
Guinea-Bissau
Hungary
Iceland
India
Indonesia
Iran
Iraq
Israel
Japan
Jordan
Kazakhstan
Kenya
Kiribati
Korea,North
Korea,South
Kuwait
Kyrgyzstan
Laos
Latvia
Lebanon
Lesotho
Liberia
Libya
Liechtenstein
Macedonia
Madagascar
Malawi
Maldives
Mali
Malta
Marshall Islands
Mauritania
Mauritius
Micronesia
Moldova
Monaco
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Nepal
Niger
Nigeria
Oman
Palau
Papua New Guinea
Philippines
Poland
Qatar
Romania
Russia
Rwanda
Samoa
San Marino
Sao Tome & Principe
Saudi Arabia
Senegal
Seychelles
Sierra Leone
Singapore
Slovakia
Slovenia
Solomon Islands
Somalia
South Africa
Sri Lanka
Swaziland
Sweden
Syria
Tajikistan
Tanzania
Thailand
Togo
Tonga
Tunisia
Turkey
Turkmenistan
Uganda
Ukraine
United Arab Emirates
United States
Uzbekistan
Vanuatu
Yugoslavia
Zambia
Zimbabwe

APPENDIX C

APPENDIX C

DEFINITION OF FDI AND (FACB) LABOR RIGHTS

As defined by the OECD in their glossary of statistical terms:

> Foreign direct investment (FDI) is the category of international investment that reflects the objective of a resident entity in one economy to obtain a lasting interest in an enterprise resident in another economy (OECD Glossary of Statistical Terms - Foreign direct investment Definition)

As defined by Barry et al. (2014):

The rights of association include those rights of workers and employers to establish and join organizations of their choosing without previous authorization; to create their own constitutions and rules with their own elected representatives and formulate programs. In addition, these rights allow for joining in confederations and affiliate with international organizations, as well as being protected against dissolution or suspension by administrative authorities (Barry, Cingranelli, and Clay 2015).

As defined by Barry et al. (2014):

The rights to bargain collectively includes the right of workers to be represented in negotiating the prevention and settlement of disputes with employers.

When coding legal protection of collective bargaining rights, if the right to strike is not protected by laws passed through the government, the country is coded as zero. When there are limited rights to strike protected by law, the country is coded as one. IF the right to strike is protected by law and no other legal limitations on the right to collectively bargain, the country is coded as two.

When coding the ability of collectively bargaining rights in practice, where there is no enforcement on the right to strike, the country is coded as zero in practice. If there is limited enjoyment of the right to strike, then the country is coded as one in practice. Otherwise, if there are no limitations on the right to strike, governments are coded as two in practice.

APPENDIX D

APPENDIX D

SUMMARY STATISTICS OF LABOR RIGHTS (LAW & PRACTICE)

Tabulation of facb_l (Latin American countries)

Labor Rights Law	Freq.	Percent	Cum.
0	19	3.82	3.82
1	1	0.20	4.02
2	249	50.10	54.12
3	187	37.63	91.75
4	41	8.25	100.00

Tabulation of facb_p (Latin American countries)

Labor Rights Practice	Freq.	Percent	Cum.
0	99	19.92	19.92
1	72	14.49	34.41
2	235	47.28	81.69
3	68	13.68	95.37
4	23	4.63	100.00

Tabulation of facb_l (Non-Latin American countries)

Labor Rights Law	Freq.	Percent	Cum.
0	185	7.44	7.44
1	138	5.55	12.99
2	881	35.42	48.41
3	797	32.05	80.46
4	486	19.54	100.00

Tabulation of facb_p (Non-Latin American countries)

Labor Rights Practice	Freq.	Percent	Cum.
0	618	24.85	24.85
1	195	7.84	32.69
2	812	32.65	65.34
3	505	20.31	85.65
4	357	14.35	100.00

BIOGRAPHICAL SKETCH

Cesar H. Villegas earned a BA in Political Science from the University of Texas Rio Grande Valley (UTRGV) in 2018, followed by an MA in Political Science from UTRGV in the spring of 2020. Cesar's concentration looks at comparative politics, international relations and international political economy, specifically the role of labor rights as a determinant of FDI. This research has been presented at the 2020 Texas Triangle International Relations conference at the University of Houston, as well as the graduate research showcase sponsored by the graduate college at UTRGV. Cesar can be reached through email at cesarv337@gmail.com.