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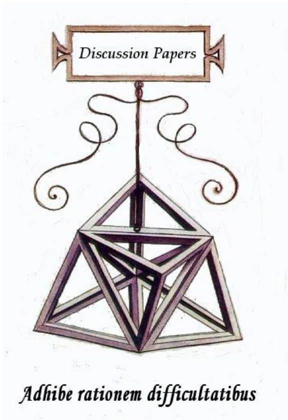

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MULTINATIONAL CORPORATIONS' ECONOMIC AND HUMAN RIGHTS IMPACTS ON DEVELOPING COUNTRIES: A REVIEW AND RESEARCH AGENDA

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Abstract

Developing countries are attracting a significant portion of global Foreign Direct Investments. Governments of such countries often compete fiercely for attracting Multinational Corporations (MNCs) in the expectation of the advantages they will bring to their economies, often prioritizing economic goals over fundamental human rights. For long, economists have analysed the economic impacts of MNCs, while a parallel strand of work in political science, business ethics and international law investigates the repercussions MNC operations on human rights. Despite the significant relatedness and complementarities, these two bodies of literature have so far poorly interacted. This paper addresses this limitation and systematically analyses and integrate existing micro-level empirical evidence on the economic and human rights impacts of MNCs on developing countries. It provides a critical analysis of what is known, and highlights what we do not know about the factors that mediate the positive and/or negative impacts of MNC operations on host developing countries. Based on the critical analysis of the literature, it discusses avenues for future research in this field and sets the grounds for a new inter-disciplinary research agenda on this subject.

Key words: Multinational corporations, spillovers, human rights, developing countries.

JEL Codes: F23; F63; K3 ; O1.

MULTINATIONAL CORPORATIONS' ECONOMIC AND HUMAN RIGHTS IMPACTS ON DEVELOPING COUNTRIES: A REVIEW AND RESEARCH AGENDA

1. Introduction

Pre the 1970s many governments were sceptical about the positive role of Foreign Direct Investment (FDI) for their economies, and restrictions on such investment were common. Since the 1980s, FDI has increased steadily as a consequence of market liberalization policies, and developing countries have experienced unprecedented levels of inward FDI –reflected in the ratio of FDI stock to GDP, which almost trebled between 1990 and 2005, from around 10 per cent to 27 per cent. Amid uncertainties over the global economy, global FDI continues to grow, especially FDI inflows to developing countries, which in 2011 accounted for half of global FDI (UNCTAD, 2012). Although foreign investment in developing countries is distributed very unevenly, with East and South- East Asia accounting for about half of investment in these countries,[i] overall it is an important economic phenomenon, and the steady increase in these investments reflects the fact that Multinational Corporations (MNCs) are profiting from their outward investment (UNCTAD, 2012).

Currently, governments are competing fiercely for MNCs investments (Madiès and Dethier, 2010) in the expectation of the advantages they will bring to their economies: MNCs are considered important sources of employment and valuable channels of technology transfer. MNC branches provide a means through which local firms can increase their productivity and export potential, ways of diversifying the economy and, more generally, of improving the level of economic development of the host country. Also, in line with most liberal perspectives, governments often expect positive impacts on society from the achievement of economic development objectives (Harrelson-Stephens and Callaway, 2003; Flanagan, 2006); therefore, they tend to prioritize economic goals over fundamental human rights (Chu, 2005). Even worse, governments in some developing countries overlook human rights abuses perpetrated by foreign investors, provided the latter are satisfying certain economic targets (Herrmann, 1995; Apdodaca, 2001; Ratner, 2001). An example here is the case of oil companies in Nigeria, where the high revenues accruing to local government and elites are associated with political and economic marginalization of local inhabitants, who have been very negatively affected by environmental degradation and military occupation of their lands (Frynas, 1998; Idemudia, 2009; Orogun, 2010).[ii]

The interest of academics in analysis of MNCs' impacts on host countries has grown over the years. These impacts can be observed at the macro level (i.e. at the level of the whole of a country's economy and society) and at the micro level (i.e. at the level of individual firms and people). The focus in this paper is on the latter type of impact.[iii] For long, economists and scholars in economic development and international business have focused on the economic impacts of MNCs, mainly through the analysis of wages, exports and productivity spillovers, while a parallel strand of work in political science, business ethics and international law investigates the repercussions MNC operations on human rights. Despite the significant relatedness and complementarities[iv] of these two bodies of literature, so far, their empirical study and analysis have tended to be confined to a specific academic discipline. This is the main limitation of the literature on MNC impacts on host economies (Meyer, 2004), and is the focus of this paper. There have been other calls for an integration among disciplines on this subject. Development scholars have acknowledged the absence of integrated and multi-disciplinary conceptual frameworks and research designs, to analyse the complex and wide-ranging consequences of international business on the economy and society. For instance, Barrientos et al. (2011: 300) suggest that "a key conceptual challenge in analysing the effects of globalized production centres on the relationship between the economic and social dimensions of global trade, production and employment". To respond to this call and to establish a new inter-disciplinary research agenda on this subject, it is vital that scholars working on the economic impacts of MNCs are aware of the state-of-the-art on MNCs and human rights research, and vice versa – which, we would suggest, has been lacking so far.

Our research seeks to contribute to this endeavour in two important ways. First, to the best of our knowledge, the present paper is the first attempt to systematically analyse and integrate existing micro-level empirical evidence on the economic and human rights impacts of MNCs on developing countries. We provide a critical analysis of what is known, and highlight what we do not know about the factors that mediate the positive and/or negative impacts of MNC operations on host developing countries. Second, based on this critical analysis, we will discuss avenues for future research in this field and set the grounds for a new inter-disciplinary research agenda on this subject. We contend that a new research agenda should start from an analysis of the available evidence, which, in turn, might provide food for thought for scholars interested in new theoretical developments in this area. There are two areas not addressed by this paper. It does not systematically review all the possible theoretical perspectives on MNCs and their impacts, which limits the possibilities of references to theory to the interpretation of the existing empirical evidence. It also does not develop a new inter-disciplinary theory; rather it provides some key insights which could be exploited in future research, to build a new theoretical framework to address both the economic and human rights impacts of MNCs.

The present paper is organized as follows. Section 2 appraises the existing inconclusive and contrasting research findings on MNCs economic and human rights impacts on host developing countries. Section 3 provides an original review of the literature organized around key mediating factors, which have been associated with positive (or negative) MNC economic and human rights impacts. Section 4 concludes the paper with a call for a new research agenda to study the impact of MNCs on developing countries, and speculates on the implications that this research might have for scholarly research and policy-making. The Appendix provides a description of our literature search procedures.

2. The Inconclusive Debate on MNCs' Impacts on Host Developing Countries

2.1 Economic Impacts of MNCs

Since Caves (1974) original contribution, empirical assessment of the impact of FDI on host countries has proliferated in the economic literature. In relation to the impacts of FDI on host developing countries, economists have identified at least three ways that local firms and employees can be advantaged (or disadvantaged) by the presence of MNCs: through wage spillovers, export spillovers, and/or productivity spillovers. Wage spillovers occur because MNCs tend to pay higher wages and offer better job opportunities than the domestic firms in developing countries (see e.g. Lipsey, 2002; Morrissey and Te Velde, 2003; Lipsey and Sjöholm, 2004; Earle and Telegdy, 2007; Clark et al., 2011); positive wage spillovers occur when the higher wages paid by foreign firms produce an increase in the wages paid by domestic firms, which, because they compete for human resources, are forced to offer similar or better working conditions to foreign firms, in order to attract and retain the best workers. Conversely, negative wage spillovers occur when the presence of MNCs leads to a reduction in the wages paid by domestic firms, often as a result of the foreign firms poaching the best (and hence most expensive) workers from domestic firms –the labour market crowding out effect. The empirical evidence on wage spillovers provides a different picture. The seminal study of Aitken et al. (1996) finds no evidence of FDI wage spillovers on domestic firms in Mexico and Venezuela, while a recent study by Chen et al. (2010) finds evidence of negative wage spillovers in China. In contrast, Chidambaran (2012), using data on the manufacturing sector in India, finds positive wage spillovers in some of the manufacturing industries analysed by the study. In addressing this contrasting evidence, economists have suggested that the existence or magnitude of wage spillovers depends on the presence of certain mediating factors, such as the characteristics of the region hosting the foreign investors (Zhang, 2011): for instance, Lipsey and Sjöholm (2004) and Takii (2009) observe that, in Indonesian regions with more concentration of FDI, positive wage spillovers are more likely to occur.

A second way that MNCs can have an economic impact on host developing countries is through export spillovers. Central to this is the idea that domestic firms in developing countries can learn about exporting because MNCs generally possess good commercial skills, which domestic firms in host countries lack. Commercial linkages, collaboration or imitation allow domestic firms to learn how to enter export markets (Aitken et al., 1997; Gorg and Greenaway, 2004) and to increase their exporting activities. The empirical literature on export spillovers in host developing countries is also mixed. Sjoholm (2003), using data on Indonesia, finds no export spillovers from FDI, while others' findings are of positive spillover effects and MNCs contribution to increasing the export activities of domestic firms (e.g. Aitken et al., 1997 for Mexico; Kokko et al., 2001 for Uruguay; Sun, 2009 for China; Franco and Sasidharan, 2010 for India; Xuan and Xing, 2008 and Anwar and Nguyen, 2011 for Vietnam). However, these positive spillovers are contingent on certain contexts. For example, they depend on trade policies (Kokko et al., 2001; Jongwanich and Kohpaiboon, 2008), and on the characteristics of MNCs (Anwar and Nguyen, 2011) and of domestic firms (Sun 2009, 2010; Franco and Sasidharan, 2010), as well as on location-specific features, such as concentration of FDI in a region (Zhou et al., 2002; Lipsey and Sjöholm, 2004, 2004; Takii, 2009; Zhang, 2011) or the level of urbanization of the host country (Lutz et al., 2003).

Finally, MNCs can have an impact as a result of technological and productivity spillovers, which are considered to be important sources of economic advantage for host countries' long term development trajectories (Narula and Driffield, 2012). Based on the assumption that MNCs possess superior technological capabilities compared to domestic firms in developing countries,[v] scholars traditionally have analysed them in relation to their being technology transfer channels. The accumulation of new technological capabilities by domestic firms via MNCs, in turn, contributes to their increased productivity. Qualitative research shows that productivity spillovers take various forms. Domestic firms can become more efficient and thus more competitive as a result of the competition from MNCs, and also through imitation, based on employing managers trained by MNCs (labour mobility) or direct collaborations with a foreign firm.

The evidence on productivity spillovers generated by MNCs in developing countries is generally inconclusive. Some econometric studies find evidence of positive spillovers for domestic firms (see among others, Kokko, 1994; Blomstrom et al., 1994 for Mexico; Sjoholm, 1999 for Indonesia; Javorcik, 2004b for Lithuania; Takii, 2005 for Indonesia; Wei and Liu, 2006 for China; Javorcik and Spatareanu, 2009 for the Czech Republic) and the case-study literature finds positive effects of MNC subsidiaries on upgrading processes in their suppliers, through direct and purposeful transfer of knowledge or labour force training (see among others, Albornoz and Yoguel, 2004 and McDermott et al., 2009 for Argentina; Boehe, 2007 for Brazil; Giroud, 2007 for Malaysia and Vietnam). However, several studies find insignificant or negative spillovers: Aitken and Harrison (1999) for Venezuela; Haddad and Harrison (1993) for Morocco; Djankov and Hoekman (2000) and Stančík (2007) Czech Republic; Konings (2001) for Bulgaria, Romania and Poland; Hu and Jefferson (2002) for the electronics industry in China; Pawlik (2006) for Poland; Lenger and Taymaz (2006) for Turkey, and Agosin and Machado (2005) for several developing countries in Asia, Africa and Latin America. Evidence of negative spillovers points to the possibility that domestic firms reduce their productivity as a consequence of shrinking market shares (Aitken and Harrison, 1999). There is also work that finds differences in horizontal spillovers to domestic firms in the same sector as the MNC, and vertical spillovers, which refer to the productivity gains achieved by domestic firms in upstream or downstream sectors (e.g. Quoc Le and Pomfret, 2011; Suyantoa and Salim, 2013).

On the basis of this very mixed evidence, several scholars warn that, although the current policy literature is overflowing with claims of positive spillovers from FDI, evidence of their existence is less profuse (Rodrik, 1999; Gorg and Greenaway, 2004; Javorcik and Spatareanu, 2005). Several influential scholars claim that search for a universal relationship between FDI and spillovers would be futile; what is important is to understand the conditions required for an effective generation of FDI spillovers (e.g. Lipsey and Sjoholm, 2005; Meyer and Sinani, 2009). Most of the recent research in this field is oriented to identifying these conditions.

2. 2 Human Rights Impacts of MNCs

Similarly to the case of MNCs' economic impacts, there is no consensus in the academic research on FDI and the human rights cause. Debate on the impact of MNCs on society and, more specifically, on human rights is rife with controversy involving both optimistic voices and critical ones. Optimistic views are generally from a liberal political science perspective (Harrelson-Stephens and Callaway, 2003) and rely on the idea that MNCs are powerful and wealthy actors that are able to contribute to increased GDP levels, greater respect for human rights, and democratization, and suggest that multinationals may contribute to advancing the cause of human rights because they bring "capital, technologies, management techniques and managers who frequently are eager to introduce social improvement alongside their financial investment" (Spar, 1999: 75). Among the optimistic voices is also a community of scholars, practitioners and policy-makers who believe that large corporations can improve the living conditions of poor countries through the adoption of voluntary codes of conduct and Corporate Social Responsibility (CSR) policies (e.g. Falck and Heblic, 2007). Alongside this, there is a growing awareness among MNCs' executives that respect for human rights is a fundamental and necessary part of the practice of good management (Brown and Woods, 2007). CSR policies and the adoption of ethical codes of conduct address human rights issues in several ways. For instance, through greater investment in addressing unfulfilled societal needs. As Nelson (2000: 66) notes "although a company's social investment or philanthropy budget is a tine fraction of the resources that it mobilises through its core business activities, these budgets are not insubstantial. In a 1998 study of 50 multinational companies..[it was] calculated that the … social investment/philanthropy figure for these 50 companies alone was almost equivalent to the annual operating budget of the United Nations Development Programme". Hence, philanthropic initiatives and social investments may allow firms to play a significant role in promoting different kinds of civil, political and socio-economic rights, such as the right not to be discriminated against, and the rights to education and health, and a safe environment, etc. (Rivoli and Waddock, 2011).

MNCs are also considered to be critical for minimizing the harmful impacts and actively contributing to peace-building processes in conflict or post-conflict zones, through the adoption of conflict-sensitive CSR policy frameworks (Nelson, 2000; Banfield et al., 2003; Shankleman, 2007). For example, Peter Sutherland, Director-General of the World Trade Organization and former chairman of BP, declared that "…it is part of building good sustainable businesses to help establish safe, secure, stable and peaceful societies. Business thrives where society thrives" (quoted in Nelson, 2000: 26).

Alongside benevolent CSR activities, global corporations can have a more positive impact on society by putting social concerns at the heart of their business activities, as recently advocated by strategic management gurus such as Porter and Kramer (2011). In a very influential book published in 2004, *The Fortune at the Bottom of the Pyramid*, C.K. Prahalad suggests that corporations should start by focusing on the world's poorest people, a huge underserved market that large corporations from the advanced countries have systematically neglected on the assumption that the poor cannot afford to buy their products. Studies on the Bottom of the Pyramid (BOP) (Prahalad and Hart, 2002; Rosenbloom and Althaus, 2007; Seelos and Mair, 2007; Anderson et al., 2010; Prahalad and Mashelkar, 2010) maintain that serving the poor can simultaneously be profitable for firms, and help the poor. By offering low-priced products that address poor people's unfulfilled needs, companies can improve the living conditions of these people, and through engagement of the poorest in the production, promotion and distribution of BOP products, they can generate positive economic and human rights impacts by promoting more inclusive growth processes and empowering women in developing countries (Dolan et al., 2012).

In parallel with these rather optimistic views, there is a group of critical scholars, who question the capacity of MNCs to advance the cause of human rights, not least because there is substantial empirical evidence of human rights abuses, in which the complicity of large global corporations has been proven. Egregious violations in recent times include ITT's involvement in subverting Allende's democratic government in Chile in 1973 (Meyer, 1998); the environmental disaster caused by Union Carbide in Bhopal India in the 1980s which resulted in deaths and health problems affecting more than one generation of the local people (Meyer, 2003; Meyer, 1998; Zerk, 2010; Wettstein, 2009); the complicity of mining MNCs in plundering resources, prolonging the war and condoning human rights' abuses in the Democratic Republic of Congo (Papaioannou, 2006); and the role of Western companies in human rights abuses associated with the Yadana pipeline project in Burma (Anderson, 2000; Clapham, 2006; Kaeb, 2008) to cite but a few.

Some critical theories of globalization define MNCs as both crucial actors in and beneficiaries of an unbalanced process causing growing inequality and global injustice (Herrmann, 1995; Gissinger and Gleditsch, 1999; Kaplinsky, 2000; Shiva, 2004), pointing to their being symbols of the "broken promises" of the neoliberal project (Wettstein, 2009) and identifying their global production strategies as causes of the "race to the bottom (...) - the reduction in labor, social, and environmental conditions that result directly from global competition for jobs and investment" (Brecher and Costello, 1994: 22). Pessimism about the impact of corporations on the environment and human rights has been expressed by scholars who refer to "environmental justice" and dependency/world system theories, with Herrmann (1995) and Adeola (2001) being prominent examples. In particular, Adeola's research on the North-South flow of toxic waste identifies unethical international business practices and global power and wealth inequalities alongside corrupt local leaders, as crucial factors behind business activities that, in many developing countries are causing ecological disruption and promoting human rights abuses.

Some authors agree on the need to target the conduct of corporations as well as that of states, in the global effort to advance development and protect human rights, and to have efficient international regulation (Adeola, 2001; Monshipouri et al., 2003; Wettstein, 2009). The need for more effective regulation of MNCs through binding international and domestic norms as opposed to sole reliance on voluntary codes of conduct, and for greater accountability in cases of human rights abuses, is a central concern also for many human rights scholars (De Schutter, 2006, 2010; Deva, 2003; Ramasastry, 2002; Kinley and Tadaki, 2004; Massarani, 2007; Kamminga, 2004; Anderson, 2000; Howen et al., 2002). Some of them argue that non-state actors already have some form of human rights responsibilities deriving from international law, international treaties and certain non-binding international instruments, although there is insufficient enforcement at the international level (Nowrot, 1993; Stephens, 2012; Paust, 2002; Reinisch, 2005; Clapham, 2006). These authors generally maintain that, on their own, CSR and other voluntary initiatives are not enough to prevent and redress MNCs' negative human rights impacts.

There is also a large literature that offers critical perspectives on CSR, pointing to its inadequacy to meet development goals, especially when the goals of human rights and development promoted through CSR are subordinated to the role of CSR as a business and public relations tool (Frynas, 2005; Blowfield and Frynas, 2005; Newell and Frynas, 2007; Prieto-Carron et al., 2006). Blowfield and Frynas (2005) conclude that CSR standards concerning workers' rights and natural resources management do not adequately address important issues relevant to people in developing countries, such as a living wage and freedom of association. Newell and Frynas (2007) proposes a similar argument, criticizing the BOP approach and arguing that the confusion between *CSR as a business tool* and *CSR as a development tool* is an obstacle to the formulation of corporate strategies capable of tackling poverty and social exclusion. Prieto-Carron et al. (2006) express similar concerns over a rather one-sided view of CSR that emphasizes profit-making, win-win situations and consensus outcomes, and which, at the same time, suffers from weak and inappropriate procedures for monitoring respect for codes of conduct. There is another critical aspect related to the priorities addressed by CSR programmes. Scholars such as Jenkins (2005) and Gilberthorphe and Banks (2012) maintain that CSR priorities are often dictated by a 'business case' approach, and are framed from a Western perspective, which poorly fulfils the need to improve the living conditions of developing country populations. In this sense, CSR projects are often ill-conceived and highly inappropriate, in some cases generating divisive effects on the social and economic security of local communities. While Scherer and Palazzo (2007) also criticize the existing CSR models, they argue that a more meaningful impact on society of these instruments can be achieved by shifting from "voluntary, business-driven, and case-wise philanthropic acts to a long-term, politicized collaboration with governments and civil society actors" (Scherer and Palazzo, 2007: 33), and they propose a "new concept of the business firm as an economic *and* political actor" (Scherer and Palazzo, 2007: 40, emphasis in original). The management literature also expresses some concerns about the capacity of business to address societal problems. Karnani (2011: 76), for instance, argues that "firms behaving in their self-interest will not solve…social problems", and maintains that governments should address the market failures generated by the business sector, and the latter should not substitute for government responsibilities.

These views are illustrative of the highly controversial state-of-the-art of the literature investigating the relationship between MNCs' operations and human rights, and Letnes (2002) suggests that the relationship between FDI and human rights is too complex to identify a simple universal and linear relationship. However, similar to the literature on the economic impacts of MNCs, insights from the business and human rights literature reviewed in this paper, reveal that the relationship between MNCs' operations and human rights is often mediated by a set of factors that influence the existence and/or the magnitude of any possible positive or negative impact associated with MNC operations in host developing countries. We discuss these in detail in the succeeding sections.

3. Assessing MNCs' Impacts: The Importance of Mediating Factors

While there is no universally-accepted simple relationship between MNCs and their economic and human rights impacts, we would suggest that these impacts depend on a number of mediating factors,[vi] that is, conditions that are (a) *external* to the MNC (i.e. related to the host country and the industry), or (b) *internal* to it (at corporate/parent or subsidiary levels), whose presence (absence) is likely to favour (hinder) the generation of positive or negative impacts. Each of the factors analysed in this section is associated with a given mediating role –positive, negative or insignificant – consistent with the main and most significant empirical findings in the literature reviewed. Our judgements are based on a general appraisal of the existing evidence, and on the results obtained by the majority of the studies reviewed. In some cases our judgement is based on a few papers, because some factors have received less scholarly attention. In one case (i.e. nationality of the parent company) we find mixed results and therefore cannot identify a clear-cut mediating role of this factor. In this review, we focus solely on mediating factors that have been associated with MNCs' impacts in the economic and the human rights literatures; we do not address those impacts that are specific only to either economic or human rights impacts.[vii] Finally, this analysis is based exclusively on evidence on MNCs' impacts on host developing countries (including the transition economies), and does not include the advanced countries (see Appendix for more details on the search methodology). Table 1 summarizes the results discussed below.

[TABLE 1 HERE]

3.1 External factors

Our review shows that the economic and human rights impacts of subsidiaries are associated with several external factors. First, at the level of the host country (social capabilities, state capacity and civil society), and second, at the industry-level (industry competition and level of technological intensity of the industry).

3.1.1 Host country characteristics

Economists and human rights scholars are generally in agreement about three country-level characteristics associated with a positive impact of MNCs on host economies: social capability, state capacity, and civil society (see Table 1(a)). *Social capability* reflects the general levels of education and technical competence accumulated by the host country's population, firms and institutions (Abramovitz, 1989). Economists have shown that a minimum threshold of social capabilities is required to access foreign technologies and absorb MNCs' productivity spillovers (see among many others, Kokko, 1994; Kinoshita, 2001; Konings, 2001; Lall and Narula, 2004; Chudnovsky et al., 2008; Criscuolo and Narula, 2008; Meyer and Sinani, 2009).[viii] This is explained as in order to be able to absorb, adapt and master foreign technologies and skills, local people, firms and institutions need to have accumulated a certain number of capabilities (Bell and Pavitt, 1993). Franco and Sasidharan (2010) also find that the degree of domestic firms' investments in Research & Development (R&D) positively affects the generation of FDI export spillovers, contributing to the learning effect needed to achieve increased exports. The dimensions of social capabilities also are important for the manifestation of wage spillovers. Aitken et al. (1996) suggest that wage differentials between foreign and domestic firms in Mexico and Venezuela, and the absence of wage spillovers from FDI, may be related to the low human capital formation in domestic firms, which are unable to attract the highest skilled workers. Similarly, Feenstra and Hanson (1997) find that FDI in the Northern Mexico maquiladora industries generates an increase in wage levels for skilled workers only.

Human rights scholars rarely analyse this dimension explicitly, but there is some evidence suggesting that domestic firms with higher levels of absorptive capacity are better equipped to face MNCs' abuses of their dominant positions in domestic markets. For example, Hall et al. (2008) study the introduction of genetically modified (GM) seeds by MNCs in Brazil, and the implications for local farmers. On the premise that the diffusion of GM seeds by MNC subsidiaries is a way to transfer technologies to developing countries,[ix] Hall et al. (2008) show that only the more sophisticated farmers were able to adapt their cropping systems to the new technology, and that subsistence farmers, with weaker absorptive capacity, suffered marginalization and a worsening of their conditions. This generated a negative social impact on the local communities since subsistence agriculture is a way to maintain social control over poor areas.

From another perspective, if we consider MNCs as any other powerful actors capable of impinging on rights, living conditions and development, we may refer to the literature suggesting that the creation of human capital – in particular, through education – can serve the purpose of empowering people vis à vis such powerful actors and, ultimately, lead to higher standards of human rights protection. Martha Nussbaum, elaborating on the “capability approach” originated from the seminal work of Amartya Sen (Sen, 1985), identifies education as one of the “central human capabilities” that should be promoted by societies at all time (Nussbaum, 2003). In practice, education has been shown to play an important role in enhancing the social position of individuals traditionally belonging to vulnerable groups. Khosla (2009), examining the case-study of Bangladesh, shows how enhanced social capabilities of women in the garment industry have made these workers increasingly aware of their rights and able to negotiate for better salaries. Locke et al. (2007), comparing labour conditions in two Mexican suppliers of Nike, find that the plant heavily investing in the training of skilled workers registered better treatment of the workforce. Skilled workers, becoming an important resource for productivity, are “more empowered to resist management abuses” and can choose to leave if not granted decent working conditions (Locke et al., 2007: 33). Hence, this evidence points to the fact that stronger social capabilities positively contribute both to the support of rights and to the reduction of abuses.

The second factor, *state capacity*, is conceived here as the state’s power to enforce contracts and regulate markets (Besley and Persson, 2009), and to guarantee a strong and impartial legal system (Englehart, 2009). Economists consider this dimension relevant to the extent that it enforces Intellectual Property Rights (IPR) to enable legal appropriation of the results of firms’ innovative processes. Evidence on the impact of IPR in developing countries suggests that a strong IPR regime fosters innovation (Branstetter and Saggi, 2011) and increases the probability of productivity spillovers occurring. For instance, case studies on transition economies (Sharp and Barz, 1997) suggest that MNCs are concerned about transferring technologies and know-how to countries where imitation is easy because of low IPR enforcement. Likewise, in a study of firms investing in Eastern Europe and the former Soviet Union, Javorcik (2004a) finds that, in countries with strong IPR regimes, investors are more likely to engage in local production as opposed to focusing only on setting up distribution networks. This, in turn, suggests that in these countries the potential for generating spillovers will be higher. A study of the Indian pharmaceutical industry by Feinberg and Majumdar (2001), show that weak IPR regimes may be associated with insignificant MNC spillovers effects – implying that strong IPR regimes could stimulate domestic firms to innovate and catch up with MNCs.

Also, human rights scholars believe that a strong legal system is crucial to regulate MNCs' operations in host countries and to inhibit human rights abuses (De Schutter, 2006; Eroglu, 2008, among others). This is corroborated by an econometric study by Englehart (2009), covering more than 140 countries, which shows that the stronger the state's capacity, the more protected will be its citizens from the depredations of non-state actors. The need to strengthen states' capacities to protect human rights is one of the three pillars of the policy framework elaborated by the UN Special Representative, John G. Ruggie, who identifies the capacity shortfalls of developing country governments as one of the factors frequently leading their investment negotiators to accept business terms that negatively affect the state's duty to protect (Ruggie, 2009). Ruggie (2006, 2010) stresses that the worst corporate-related human rights abuses occur in countries affected by or emerging from conflict; or otherwise characterized by weak governance and rule of law. The heightened risk of implication in grave breaches of human rights that corporations incur when operating in conflict areas, failed states, repressive regimes or developing countries with weak governance structures has led human rights scholars to advocate for extraterritorial regulation of MNCs activities by their home countries (Muchlinski, 2001; Gagnon et al., 2003; De Schutter, 2006-b; McCorquodale and Simons, 2007). Frynas (1998) offers another perspective in focusing on political instability and its relations with business in Nigeria. The author finds that an unstable elite and frequent government changes play in the favour of oil companies by preventing the administration from passing and enforcing a petroleum policy to regulate and control the industry's operations (Frynas, 1998). This inability to govern the oil industry effectively while potentially helping dominant oil companies to retain their market position, enhances the likelihood of unremedied human rights abuses and environmental harm.

Finally, *civil society***,** characterized by local NGOs, activist groups, and communities of people living close to MNCs' operations, is considered an important trigger of greater positive impacts – especially increased respect for human rights (Gereffi et al., 2001; Calvano, 2008). The literature generally recognizes the powerful role of civil society in shaping at least some aspects of corporate behaviour. Although much of it focuses on the positive role of civil society as a ‘watch-dog’ of corporate human rights conduct and/or developers of new CSR and human rights strategies, some authors also explore problematic aspects of the interplay between investment, civil society’s activism, and human rights. Spar (1998, 1999) refers to the spotlight phenomenon, defined as the positive consequences of close scrutiny by civil society of MNCs’ activities. According to Spar, such scrutiny may force companies to adopt better practices (including cutting out abusive suppliers) and better monitoring of their impact on human rights “not because of the sanction of law but because of the sanction of the market” (Spar 1999: 73). Thanks to increased human rights activism and greater media scrutiny corporations are beginning to accept responsibility for the labour practices and human rights abuses associated with their operations (Spar 1998, 2003; Gereffi et al., 2001). Along similar lines, Pegg (2003) stresses the importance of continued vigilance from NGOs, consumers and concerned citizens, of the compliance of corporations with the ethical standards they commit to through their voluntary codes of conduct. However, Shankleman (2007), focusing on oil companies, notes that not all companies are equally targeted by NGO and stakeholder activism (e.g. oil companies that do not own gasoline stations tend to be ignored), and not all companies are affected to the same extent by these pressures. For example, “most of the state oil companies are protected from the risk of consumer boycotts or shareholder pressure” (Shankleman, 2007: 72), while activism is more effective in relation to companies based in countries where CSR is generally valued (e.g. Scandinavia, Canada) or those companies with long-term operations in developing countries which aspire to become major global companies.

Meyer (2003) stresses the role of NGOs not only in bringing corporate conduct to the attention of global civil society but also in developing new strategies for improving rights compliance by transnational corporations. Winston (2003) states that multistakeholder partnerships, involving companies, civil society and governments, have the potential to produce solutions to social problems, especially in the field of conflict prevention and resolution. Collins (2009) examines the case of the resistance of local populations in El Salvador, to mining companies. Collins proposes four evolutionary economic development models through which societies tend to evolve. He describes the ‘Three-Player Social Justice NGO Model’ as the most democratic of these models, in which local populations affected by the consequences of FDI unify their political power within an NGO organizing framework at the local and international levels. This model forces MNCs and host governments to negotiate with local and international social justice NGOs representing the interests of local people, including those related to human rights.

Research also highlights that the presence of NGOs and civil society on their own are not sufficient to enhance respect for human rights in a given country, since adverse relationships between MNCs, host governments, and NGOs can contribute to generating severe conflicts in the host country. Skippari and Pajunen (2010: 644) argue that imbalances in bargaining power and divergent perceptions of external legitimacy among actors are “critical in explaining why FDI conflicts escalate and endure”. Calvano (2008) draws attention to the complexity of the relationships between NGOs, local communities and business. Calvano (2008: 797) suggests that “local communities have become sceptical of NGO intentions” because of the increased emphasis placed by NGOs on cross-sector alliances with MNCs, and wonders whether they represent local interests or those of the NGO’s own management and funders (Blowfield and Frynas, 2005). The message is that, to be able to generate positive human rights impacts, MNCs need to engage in positive and constructive discourse with local civil society and should establish strong interactive relationships with NGOs and other civil-society organizations.

Analysis of civil society as a factor driving the economic impacts of FDI essentially concentrates on the role played by workers’ unions on wages and people’s incomes. The conventional wisdom is that unionization reduces the attraction of a country for the MNCs. However, this view has been revised (Leahy and Montagna, 2000), first, because unionization is just one of several drivers of inward FDI and, second, because recent empirical evidence questions the existence of this link (Dibben et al., 2011). Bughin and Vannini (2003) develop a theoretical model which suggests that, once inward FDI has taken place, union power may increase welfare in the presence of FDI. Mah (2012) provides some support for this conjecture and finds that increasing values of FDI inflows and decreasing levels of labour unionization have increased income inequality in South-Korea, and recent case-study evidence for India and Africa suggests that improved mutual understanding between MNCs and unions is important to guarantee employees’ well-being (Eweje, 2009; Khanna, 2011).

3.1.2 Industry-level characteristics

An intriguing aspect of this review concerns the contrasting results of some industry-level mediating factors in terms of their contribution to economic and human rights’ impacts (Table 1 (b)). One of these is the level of *industry competition* in the host country. Economists suggest that higher levels of competition in an industry generate higher than expected productivity spillovers from the MNC subsidiary to the host country (see Wang and Blomstrom, 1992; Glass and Saggi, 1998; Blomstrom et al. 2001; Sinani and Meyer, 2004). This positive effect is based on the idea that increased competition will stimulate the MNC headquarters to transfer higher quality technology to the subsidiary, a condition that increases the potential for technological spillovers in the host country. Also, stronger competition may stimulate rival domestic firms to increase the efficiency of their production to avoid being outcompeted by the foreign firm. However, as suggested by Caves (1974), we can expect subsidiaries to have a positive influence on domestic firms' productivity only in industries where the domestic firms are sufficiently mature to receive and respond to competitive pressure. Therefore, it would seem that it is the combined effect of good social capabilities and strong industry competition that is likely to produce positive productivity spillovers. In contrast, if domestic firms are unprepared for foreign competition, they may lose market share and their best workers, which in turn will reduce their productivity, in which case the impact of FDI on the host economies will be negative (Aitken & Harrison, 1999; Li et al., 2001; Zhou et al., 2002). Barrios et al. (2005), using the case of the Irish manufacturing sector, demonstrate that the impacts of MNCs on domestic firms change as the country accumulates FDI inflows: in the short term FDI may provoke the exit of the least efficient firms, but over the medium to long term domestic firms are likely to become more efficient based on increasing capital transferred through FDI. Thus, in the short term if domestic firms are not well equipped to compete with foreign investors competition is bad, but in the long term if local firms become more efficient and more competitive competition is good. The importance of competition for generating FDI productivity spillovers has been found also for the OECD countries at large. Bitzer and Görg (2009) show that FDI may reduce domestic firms' efficiency in the short term, but that, in the long run, the increased competition should enable domestic firms to become more productive and more competitive. This effect is shown for all the OECD countries with the exception of those characterized by rigid factor markets (e.g. Italy), which prevent domestic firms from making the adjustments required to compete against foreign firms. Wang and Yo (2007) add another layer of complexity: they use data on the manufacturing industry in China and show that the mediating effect of competition on productivity spillovers depends on the type of industry. Increasing shares of FDI in labour-intensive industries, characterized by mature saturated markets, produce an inverted-u shape curvilinear effect on productivity spillovers: moderate competition due to the presence of foreign firms is beneficial to the performance of Chinese firms while growing shares of FDI lead to a crowding out effect. On the other hand, in technology-intensive sectors, competition from foreign firms is considered to improve domestic firms' productivity in a linear way, suggesting that more of this type of investment, the more domestic firms will benefit. Our evidence points therefore to a negative mediating role of industry competition on MNCs and productivity and export spillover generation in the short term, and to a potentially positive mediating role over the long term, conditional on the type of industry and on the capacity of domestic firms to catch up.

In contrast to the evidence on industry competition and MNCs' economic impacts, the most competitive industries often are associated with negative human rights impacts. Sama (2006) suggests that MNCs in industries that are very competitive and are in an advanced stage of maturity or decline in their product life cycles, will be less likely to engage in self-regulating activities, especially in countries with weak state capacity. Spar (1998) supports this view, suggesting that, in the presence of oligopolies (as opposed to highly competitive markets), such as branded footwear (Nike, Reebok, etc.), compliance with codes of conduct is more likely to be part of a race to the top. Spar contends that in such cases human rights abuses by MNCs will be less likely. In the context of natural resources, Winston (2003) claims that competition among foreign companies may lead to a self-perpetuating cycle of instability and human rights abuses, as companies become more willing to deal with illegitimate, non-democratic, corrupt or otherwise abusive governments in order to outbid their competitors. We thus conclude that high industry competition constitutes a negative mediating factor in the relationship between MNCs and human rights.

Industry-level *technological intensity* is another factor that mediates the impact of MNCs on host countries, although here scholarship does not converge to a dominant view. On the one hand, while policy-makers actively encourage the inflow of FDI in high tech industries (UNCTAD, 2005), economists argue that, in developing countries, technological spillovers are more likely to occur in some low-tech traditional industries, such as textile, footwear and wooden furniture, where the technology gap is likely to be low, facilitating the absorption of foreign knowledge by the host economy (see Kokko, 1994; Xiaoquin Fan, 2002; Alvarez and Molero, 2005; Portelli and Narula, 2006; Anwar and Nguyen, 2011; Kimura, 2012). This explanation is based on the assumption that the level of technological sophistication of domestic firms in developing countries is low. In contrast, the economic impacts of other low tech activities – in particular, some primary industries such as oil and metals extraction[x] – are viewed with some scepticism by economists, who believe that, apart from tax revenues, which in the case of corrupt governments are seldom distributed evenly among the population, this kind of FDI is unlikely to generate spillovers, mostly because in these sectors the scope for vertical linkages to domestic firms is limited, and the use of continuous production processes and the capital intensity of operations hampers the realization of any positive effect on the domestic industrial structure (Lall and Narula, 2004; Narula and Driffield, 2012). Morrissey (2012: 29) describes how “most FDI to sub-Saharan Africa is in the resource extraction sectors. While this can be important in providing employment, at least for the unskilled (expatriates typically fill the skilled jobs), there are typically few linkages to domestic firms and few spillover opportunities”.

On the human rights front, Blanton and Blanton (2009) suggest that low-tech industries are more likely to be characterized by mostly low-skilled workers, who are the most vulnerable, least protected and unheard workers, who are subject to more abuses compared to skilled workers. There is the well-known example of the labour abuses that emerged in the 1990s in Nike’s supplier factories, which included long hours, forced overtime, hazards from toxic chemicals, physical punishments, and so on (Litvin, 2003). Among many others involved in similar scandals, Reebok, Gap (in particular, for its sweatshops in Saipan) and Disney are prominent (Spar, 1998; Meyer, 2003), as is Wal-Mart which was found to be selling clothes produced by child labour in Honduras (Emmelhainz, 1999). Hahn (2012: 17), while noting that it is difficult to ascertain the intentionality behind a corporate behaviour, holds that, in some cases, sweatshop operations in countries where laws are permissive or weakly enforced, amounts to a “*systematic* and *deliberate*” choice by MNCs to avoid stricter standards. Due to the complexity and multi-echelon nature of its supply chain, the food industry has often been subjected to severe criticism of its labour practices -mainly in relation to the working conditions of farmers- and payment of “unfair” prices to food suppliers (Maloni and Brown, 2006). The food industry can have an impact on the whole community if its activities contribute substantially to the depletion of local resources in supplier countries – for example, overfishing by European companies in developing countries’ waters to compensate for degraded fishing resources in Europe (Clover, 2006; Maloni and Brown, 2006).

Business operations in low-tech industries can also result of abuses of the rights of stakeholders in local communities. For example, the tourism/hotel industry has been reported as having very serious – sometimes irreversible– impacts on indigenous rights in several areas of the world from Malaysia to Brazil (Watson, 1996; Adeola, 2001; Fabig and Boele, 2003). In this sector, the impact on local communities is related to environmental disruption, loss of traditional livelihoods, and interference to local cultures and customs (Adeola, 2001; Anaya, 1998). The beverage industry has also been involved in controversies concerning local populations' rights (Wettstein, 2009), exemplified by the 2003 dispute involving Coca-Cola and a village in India, where the company was accused of excessive exploitation of ground water leading to acute water shortages for the local population (Chowdury et al., 2011)

Among the low tech industries (see footnote x), the human rights abuses associated to oil and mining industries have been subject of frequent study. For instance, Papionnaou (2006: 263) argues that "countries with abundant natural resources are more susceptible to violent conflicts... In this unending cycle of exploitation, conflicts and human rights violations a substantial number of MNCs have contributed to the maintenance of resource-based conflicts in various ways". Similarly, Winston (2003) suggests that a significant proportion of the violent conflicts that have occurred in the last sixty years have been driven, at least in part, by the revenues derived from natural resources and "the development of mineral resources in poor countries is one of the root causes of violent civil conflict and of the human rights abuses that frequently accompany it" (Winston 2003: 81). The motivations are similar to those proposed in the 'resource curse' literature (Sachs and Werner, 1997; Frynas and Wood, 2001; Ross, 2012). In particular, in the context of developing countries, corrupt governments, weak state capacity and mismanagement of natural resources are among the key factors generating conflicts and local human rights abuses (see also on this Spar, 1999).

Hence, extant literature suggests that traditional sectors are often associated with a positive mediating role in the relationship between MNCs and spillovers, but with a negative mediating role in the relationship between MNCs and human rights. The primary industry is instead viewed rather suspiciously by both the economic and human rights research for its insignificant and/or negative mediating role on the relationship between MNCs and impacts.

In shifting the focus on FDI to the high tech industries, the literature suggests that positive spillovers can be expected if the host country has accumulated technological capabilities such that the gap between

between foreign and domestic skills and technologies has been reduced, facilitating the transfer of knowledge and the generation of positive spillovers in these industries (Tsou and Liu, 1994; Wang and Liu, 2007). Also, high tech industries compared to the low tech and primary industries are associated less frequently with human rights violations. However, this is not because foreign high tech investors are guilty of fewer human rights abuses *per se*, but because investors seek production sites with fewer operational risks, which guarantee a certain level of security, and where human rights conditions are already quite good. Although appealing, this is a gross approximation of the reality: concerns about violations of human rights apply to eminent high tech industries, such as the chemical and pharmaceutical industries (Shapiro and Meslin, 2001; Santoro and Gorrie, 2005; Leisinger, 2005; Shah, 2006; Brice, 2008; Wise, 2009), and the information and communication technology and electronics industries, for example, the scandal surrounding Foxconn, a key player in Apple's global value chain for the production of IPhones (Duhigg and Barboza, 2012). These evidences suggest that, to gauge human rights impacts in the high tech industries, it is necessary to interact this factor with other mediating factors, such as the country or the MNCs' characteristics, since this industry characteristics *per se* proves insufficient to determine MNCs' impacts.

3.2 Internal factors

Most of the more recent international business research on MNCs highlights the heterogeneity among MNCs, and the specific advantages, resources, strategies and motivations of their subsidiaries (e.g. Ghoshal and Bartlett, 1990; Birkinshaw et al., 1998), which has generated increased awareness that different kinds of MNCs and subsidiaries will likely have different kinds of impacts (Arthaud-Day, 2005; Marin and Bell, 2006; Narula and Driffield, 2012). Our review shows that the economic and human rights impacts of subsidiaries are associated with four main factors: first, nationality of the parent company; second, strategic motivations of the investment (i.e. resource-seeking; efficiency-seeking, market-seeking); third, degree of innovativeness and entrepreneurship of the subsidiary; and fourth, level of autonomy if the subsidiary (Table 1 (c) and (d)).

3.2.1 MNC nationality

The conceptual claim underpinning analysis of parent company's nationality and distance from the host country culture is that MNCs from advanced countries (especially Western cultures) will be more likely to generate spillovers and respect the host country's human rights. This is based on the presumption that advanced country corporations operate at the frontier of knowledge and, thus, are better able to transfer higher quality knowledge and generate productivity and export spillovers. Likewise, firms from advanced countries, in principle, should be able to bring transparent management practices and respect for the law that are consistent with their home-based legal systems (Matten and Moon, 2008; Ardichvili et al., 2012). However, there is no consensus in the literature on this mediating factor. Studies on the economic impact of MNCs show that the activities of MNCs from advanced countries, in some cases, do produce positive spillover effects, but not in others. For instance, Buckley et al. (2007) find that FDI from outside China has higher spillover effects in high technology industries, than FDI from Hong-Kong, Macau or Taiwan, whereas Abraham et al. (2010) find an opposite result. Javorcik and Spatareanu (2011), in a study of FDI spillovers in Romania, find that FDI from the US and Asia generates spillovers, while investment from EU has a negative effect and reduces domestic firms' productivity due to a competition effect. These differences are often explained by the cultural, social and legal differences between the home and host countries, but even this aspect is debatable. Some argue that the smaller these differences, the higher the probability that the host country firms can take advantage of the presence of foreign investors (Crespo and Fontoura, 2007), while other scholars maintain that high physical and cultural distance between the headquarters and the subsidiary imply high intra-firm communication costs, which lead the subsidiary to rely on local resources, rather than on imported inputs from the parent, generating high potentials for local spillovers (Rodriguez-Clare, 1996).

On the human rights front, there is a large body of work on differences in business ethics across countries and cultures (see e.g. Christie et al., 2003; Matten and Moon, 2008; Robertson et al., 2008; Fiaschi et al., 2012). This literature provides evidence that culture matters in shaping the ethical behaviour of business managers, although evidence on whether certain types of MNC nationalities (and cultures) are more likely to lead to human rights abuses is scattered. The most articulate analyses are those that compare business ethics in the US and Europe. Among these, Winston (2003), in comparing US and European oil companies, refers to a "transatlantic divide", highlighting the resistance of US corporations to CSR and, in particular, to adopting formal explicit commitment to the values and principles of the Universal Declaration of Human Rights. Winston identifies three factors underlying this difference between US and European extractive companies' business ethics: (i) a pattern of "American exceptionalism", meaning the US Government's failure to adopt numerous international treaties and conventions on human rights, and corporate lobbying; (ii) the high level of litigiousness of American society and the resulting reluctance of corporations to committing too explicitly to certain standards; (iii) the adherence of many US companies to an old paradigm: the idea that "the only social responsibility of corporations is to make money for their shareholders" (Winston, 2003: 85). In the context of nationality as mediating factor in business ethics, Matten and Moon (2008) highlight the differences between European and US CSR systems, and explain them as due to the different institutional frameworks that historically have shaped national business systems. For example, the pervasive role of the state in economic activities, which is stronger in Europe, or the importance of the stock market as a source of finance for companies, which traditionally has been more important in the US. Other studies compare emerging and advanced countries' MNCs. With reference to the oil industry, Pegg (2012: 161) acknowledges that Chinese oil companies "are unlikely to push resource-rich governments to promote democracy or respect human rights", but notes at the same time that in this sense they are not very different from Western companies, which use the Chinese threat to justify their "tepid and flawed embrace of CSR" (Pegg, 2012: 166). In similar vein, Fiaschi et al. (2012) find that MNCs from Brazil, Russia, India and China (the BRIC countries) are much more proactive in undertaking CSR initiatives and managing human rights, than advanced countries' MNCs, which is consistent with the former group being more eater to achieve legitimacy and a reputation of good corporate citizenship in order to operate in international markets, and is in line with Gugler and Shi (2009). Overall, the evidence on the different ethical behaviour of managers from Western vis a vis emerging/developing countries is not conclusive (Ardichvili et al., 2012), suggesting that this is an area where more research is needed.

3.2.2 MNC strategic motivations for investing

Work on the role of subsidiary strategic motivations overall suggests that resource-seeking and efficiency-seeking investments are the least likely to generate positive economic and human rights impacts. The discussion generally adds little to what was discussed in Section 3.1.2 in relation to industry-specific factors because resource-seeking strategies generally apply to the primary industries and efficiency-seeking strategies tend to be aimed at labour-intensive and low-tech industries. In an economic context, Lall and Narula (2004) argue that resource-seeking activities tend to be capital intensive and to provide fewer spillovers compared to other types of investments; in the context of human rights, Blanton and Blanton (2009) claim that this type of investment tends to operate in 'silo' mode, in which there is little interest in establishing connections with local communities, which increases the chances of negative human rights impacts. Shankleman (2007) highlights that the frequent disconnect oil companies and the social conditions of host countries, especially in the case of offshore operations, acts as a disincentive to companies to engage in development or peace building activities. He points to the particularity of resource-seeking investments, in which the "short-term focus of business under pressure to deliver financial return quickly" (Shankleman, 2007: 72) reduces any interest in CSR. However, the phenomenon is not limited only to the extractive industries mentioned above: Litvin (2003: 127), in analysing United Fruit's role in the coup which overthrew Guatemala's democratically elected government in 1954, explains how the company and its US managers had come to depend on continuance of the right-wing authoritarian regime to shield the company from popular pressure while becoming more and more disconnected from Guatemalan society. Another example, is the use of child labour in the production of agricultural products (e.g. cocoa, coffee, tea, cotton) and the difficulties faced by sourcing MNCs in relation to monitoring, and also properly understanding a phenomenon that often is rooted in the broader national social context (Blowfield, 2003; Venkateswarlu, 2007). In the agriculture sector, the disconnect between MNCs and local conditions is particularly marked when the former is sourcing from producers whose operations it does not control directly. Venkateswarlu (2007) examines the efforts expended by Bayer and Monsanto to protect against child labour in Indian cotton production, and notes that the shortcomings of these initiatives lay in the failure of the MNCs to extend these no-child policies to their joint venture companies, subsidiaries, suppliers and sub-licensees.

In the case of efficiency-seeking FDI, there is some evidence that productivity spillovers are likely to be minimal when production occurs in Export Processing Zones (EPZ),[xi] because MNCs tend to establish few connections with local firms mostly and to rely mostly on imported inputs (Kokko, 1994; Rodriguez-Clare, 1996; Altenburg and Meyer-Stamer, 1999; Bair and Gereffi, 2001; Giuliani, 2008). In the context of human rights, Blanton and Blanton (2009) claim that efficiency-seeking production in EPZ is likely to result in human rights and, especially labour rights violations, due to spasmodic searches for efficiency gains

(Perman et al., 2004); numerous studies report alleged human rights abuses by corporations in the maquiladora production areas in the north of Mexico (Meyer, 1998; Jefferson and McKinney, 2009). Studies in this area also report violations connected to workplace hazards such as working with toxic chemicals and unsafe equipment. Illegal dumping of hazardous waste connected to this kind of investments has also been found to have a negative effect on the communities living near the plants (La Botz, 1994; Abell, 1999; Morales et al., 2012).

Market-seeking strategies, which refer to MNC’s investments oriented to selling into the domestic market, are rather different. On the economic side, Jindra et al. (2009) and Giroud et al. (2012), in the context of Eastern European countries, find that subsidiaries established for market-seeking purposes have significant levels of backward linkages, indicating higher potential for generating vertical spillovers. In their study on FDI spillovers in Vietnam, Le and Pomfret (2011) find that market-seeking subsidiaries generate negative horizontal spillovers, due to out-competition effects, but at the same time also generate vertical spillovers through the formation of strong backward linkages with domestic suppliers. Le and Pomfret (2011: 197) argue that, “foreign firms that serve domestic markets are more likely to have vertical linkages with domestic suppliers than export-oriented foreign firms because they need to adapt their products to local market conditions and tend to be more integrated into the local economy”. With reference to the high tech sector in Costa Rica, Giuliani (2008) finds that market-seeking subsidiaries that establish production plants in the host country generate substantial knowledge flows towards domestic firms, that is, if they are not pure commercial agencies, which is in line with the predictions in Lall and Narula (2004). Also Li et al. (2001) find that market-oriented FDI in China tends to generate positive productivity spillovers for Chinese State-Owned-Enterprises (SOEs), which, compared to other domestic firms, are better prepared to compete against foreign firms.

Studies on market-seeking investment and human rights abuses are scarce. However, it is plausible to predict that market seeking investment will be more likely associated with a significant degree of respect for host country human rights. This is based on the MNCs not wanting to risk damage to their reputation in the host country through human rights violations. In industries more liable to scrutiny from the ‘spotlight’ regime (Spar, 1998), such as those where brand or company image is key to market leadership, the success of a market-seeking strategy depends on the degree of social acceptance by the host society (Blanton and

Blanton, 2009) – a condition that might minimize human rights' abuses.[xii] In addition to local acceptance, brands with global visibility are answerable to international public opinion when pursuing market-seeking strategies in developing countries. Take the 'antiglobalization' critique that targeted Nestlé for its aggressive marketing in the 1970s of an infant formula that was harmful for the babies of people "too impoverished and inadequately informed to use it properly" (Witkowski, 2005: 7).

3.2.3 MNC subsidiary innovation and entrepreneurship

Scholars investigating the economic impacts of FDI have found that, to be able to generate positive spillovers, local subsidiaries need to be innovative and technologically active (Marin and Bell, 2006; Miozzo and Grimshaw, 2008; Marin and Sasidharan, 2010) as well as entrepreneurial (Marin and Giuliani, 2011). This is because "it is not merely the *existence* of FDI that yields spillover benefit for the economy, but what subsidiaries *actually do* once they have been established or acquired" (Marin and Bell, 2010: 928; emphasis in original); hence, spillovers are not likely to occur if subsidiaries do not undertake any internal innovative or entrepreneurial activity that is valuable for the local economy. While subsidiary-centred analysis of FDI spillovers is increasing, the role and relevance of subsidiary entrepreneurship and innovation has rarely been analysed explicitly in the context of MNCs' human rights impacts. An exception is Surroca et al. (2012), who study 269 MNC subsidiaries across the world and find that subsidiary R&D intensity is negatively correlated with the transfer of irresponsible practices from headquarters, suggesting that technologically active subsidiaries may seek profits through the creation of value rather than through the search for efficiency gains or exploitation of resources, which we have seen are often conducive to abuses.

3.2.4 MNC subsidiary autonomy

There is significant consensus that subsidiaries that are more autonomous (in one or more dimensions) or are minority-owned by the headquarters are more likely to embed in the local economy and generate significant spillover effects (Javorcik, 2004b ; Albornoz et al., 2005; Abraham et al., 2010; Gentile-Lüdecke and Giroud, 2012; Giroud et al., 2012; Irsova and Havrenek, 2012). Theoretically, this is explained through knowledge appropriation: MNCs have a direct interest in minimizing the leakage of corporate knowledge to other firms and, hence, tighter control over the subsidiary may prevent such leakages from occurring, reducing consequential spillover effects in the host country. By contrast, as Jindra et al. (2009: 176) suggest, "subsidiaries with high autonomy and initiative, as well as own technological capability generate more potential for technology diffusion to local customers". These processes of knowledge transfer occur even if autonomy or minority foreign ownership reduces the incentive for the parent firm to transfer more advanced technology to its subsidiaries, often because lower levels of knowledge transfer translate into shorter technological distance from the domestic firms (Ramachandran, 1993; Crespo and Fontoura, 2007). This is confirmed by Le and Pomfret (2011), who find that fully-owned MNCs have a negative impact on the productivity of Vietnamese firms, precisely because their subsidiaries are far more technologically advanced than the domestic firms, which, in turn, lose market share and show reduced efficiency.

While more autonomous subsidiaries have more freedom to establish local ties and generate positive spillovers, they also have more scope for irresponsible business conduct. The issue of control is central in the human rights literature, which for long has debated the problems inherent in holding corporations accountable for the human rights abuses of their subsidiaries, which the parent may encourage to relocate abuses not allowed in the home country – the double standards hypothesis (Clough, 2005). The legal problem is that, since the parent and the subsidiary are separate legal entities, the former cannot generally be held liable for the wrongdoing of the latter (Thorsen and Meisling, 2006; Mares, 2012). As the courts in common and civil law countries have developed ways of "piercing the corporate veil" in cases of human rights abuses perpetrated by subsidiaries, by looking at the degree of control exerted by the parent on the subsidiary (Thorsen, 2004; Clapham, 2006; Wouters and Ryngaert, 2009; De Schutter, 2006; Koebele, 2009; Meeran, 2011),[xiii] parent companies may try relocate human rights abuses to minority-owned subsidiaries. This is confirmed by Surroca et al. (2012) who found that if there is a stakeholder pressure in the home country, we can expect minority-owned subsidiaries to behave irresponsibly, especially if operating in countries with lax institutional controls.

3.3. Summary and Discussion of the Empirical Evidence

In this section we critique the empirical evidence reviewed above. First, we note that each mediating factor appears to be a piece in a larger puzzle and none on their own explain MNC impacts. Although the academic papers reviewed tend to deal with only one (or a few) mediating factors, the general impression is that these factors are interdependent. In particular, strong host country-level factors (i.e. social capability, state capacity, civil society-MNC engagement) moderate the negative impacts of all kinds of investments. For instance, the significance and magnitude of efficiency-seeking FDI impacts are related to national state capacity and social capabilities, since spillovers are bound to be higher if the country has developed the social capabilities to generate value from efficiency-seeking manufacturing (e.g. through the establishment of collaborative linkages with universities), and the occurrence of human rights abuses will be mitigated in the context of a state with strong rule of law, which should enable monitoring and sanction of worker's right abuses and reduced occurrences. This is consistent with Morris et al. (2012), who question the received wisdom that foreign investments in the primary industries – especially the energy and extractive commodity industries – generate few jobs, few linkages and hence have almost no economic impacts. In contrast, they state that efficient social infrastructures (i.e. the administrative and regulatory regime supporting the productive sector – a branch of the country's 'state capacity') and the degree of sophistication of domestic capabilities and systems of innovation (what we define here as 'social capabilities') are critical for enhancing the breadth and depth of linkage formation in these sectors and, therefore, for generating positive economic impacts.

Second, our review points to the fact that, even in the presence of the most favourable host-country conditions, MNCs can have detrimental impacts on the host economy, depending on industry- and/or MNC-level factors. For instance, strong industry competition can damage domestic firms in the short term and set the conditions for foreign firms searching for efficiency gains by abusing human rights. Interacting industry-level factors with subsidiary characteristics is informative. For instance, subsidiaries seeking efficiency gains in the production process are likely to exacerbate the already negative impacts of competition on the economic and human rights contexts. In contrast, innovative subsidiaries or those with mandated to generate value from the development of new products and ideas may moderate the effect of competition on MNCs' impacts. Overall, this review stresses the importance of analysing subsidiary-level activities and characteristics along with host-country and industry-level factors, which often are at the core of macro-level analyses of FDI/MNCs impacts on the economy and society of a country. Too few studies focus on subsidiaries, a limitation that we think should be addressed by future research.

Third, our review highlights the importance of time for the generation of impacts. Some studies show that strong competitive pressure exerted by foreign firms is likely to be detrimental to domestic firms and workers in the short term, but that once the least efficient and least competitive firms exit, the survivors are probably better able to compete in both the domestic and foreign markets, as a result of significant export spillovers. These advantages are likely to have positive repercussions for domestic firms' wage levels, generating overall improvement in workers' rights. This temporal perspective is interesting, but only a few of the papers reviewed explore whether and how MNCs' impacts change over time. It is particularly striking that none of these studies explore whether the positive economic impacts of MNCs have contributed to a gradual improvement in stakeholders' human rights conditions or have contributed to reducing over time the numbers of abuses connected to MNCs' operations.

4. An Agenda for Future Research

Based on the information gleaned from our literature review, we can identify some gaps in the literature on the impacts of MNCs on host countries. We identify these gaps and offer a roadmap for future research in this subject. The most important limitation of this literature is the lack of integration between studies on economic and human rights impacts. The vast majority of studies is strictly mono-disciplinary. Some studies do at time analyse both issues empirically For instance, the BOP literature explores the impact of business on various economic and human rights conditions among the poorest people in the world. Case study evidence of the human rights impacts of the business sector in some cases include discussion of the economic motivations and impacts of these activities. However, there are few systematic attempts to explore both impacts using an inter-disciplinary conceptual and analytical framework. We believe that the summary of the literature in Table 1 could be used as a guide to design studies that include hypotheses derived from theories and areas of research that previously were separate. It is plausible that country, industry and firm-level factors influence one another and it is important, therefore, to disentangle the mediating value of each of these factors on the final impacts of foreign activities on both economic and human rights. There are also questions about the causal links between the different mediating factors and their impacts. Specifically, which country or industry level variable influences subsidiary characteristics and behaviour, and how does this affect the impact on the host country? How do subsidiary characteristics influence country or/and industry level characteristics? And how much does this matter for economic and human rights impacts?

There are also some more specific questions that need investigation. The literature review highlights the substantial absence of studies on certain key mediating factors. For instance, scholarship should considerably advance understanding of the role played by subsidiaries in shaping MNCs' impacts on host countries; subsidiaries nowadays have the power and mandate to decide independently on the headquarters, and subsidiary managers, therefore, make decisions about the potential positive or negative impacts on domestic firms, workers and society at large. In the economics literature there is a growing emphasis on the analysis of subsidiaries' innovative capabilities to explain spillovers, and a few studies analyse other subsidiary characteristics such as autonomy or entrepreneurship. However, much remains to be understood, especially in relation to the subsidiary's influence on decisions that affect human rights. A conceptual paper by Arthaud-Day (2005) explores how different typologies of MNC-subsidiary relationships (i.e. multinational, transnational, international and global corporations) influence the corporation's social behaviour and the model of CSR it endorses. Arthaud-Day particularly favours the transnational approach, which applies a universal code of ethical standards cum local adaptation. To date there is no empirical work that validates this conceptual model and explores how MNC-subsidiary relationships or governance influence the impacts on host countries. Future research also could investigate how other intra-subsidiary characteristics – e.g. type of business culture; cultural distance from host country; mode of entry into the host country (greenfield vs. Mergers&Acquisitions); etc. – favour positive (negative) economic and human rights impacts, and how changes in subsidiaries' strategies over time (e.g. from efficiency-seeking to market-seeking) influence the generation of spillovers and human rights impacts.

Another area that has been mostly unexplored is the contribution of civil society and NGOs to improving MNCs' impacts, especially in promoting the generation of spillovers. For instance, we need to understand what type of local NGOs have legitimacy to enter multi-stakeholder partnerships and negotiate, together with governments, the operations of foreign investors in host countries. And, also, under what country- and industry- level conditions might this be possible?

Future research could reverse the North-South perspective adopted in the present paper. We mainly analyse the impact of MNCs on developing countries, assuming that the MNCs are from an advanced economy and are superior to the domestic firms in the developing host countries. However, we are witnessing an unprecedented and increasing presence on the world scene of emerging economy MNCs (EMNCs) – especially from Brazil, Russia, India and China - the BRIC countries. EMNCs are catching up with the leading advanced country MNCs on many fronts: they are using their international expansion to leverage country-specific advantages (e.g. low factor costs, state support) and, at the same time, are accumulating firm-level advantages not available in their home countries, such as technological capabilities, branding and marketing skills, commercial knowledge, etc. (Ramamurti and Singh, 2009). This catching up and global expansion of EMNCs is raising concerns about the impact of their operations on host advanced and developing countries. Questioning the relevance of MNCs' countries of origin is particularly salient, especially in light of the inconclusive evidence in the literature reviewed. Specifically, it would help to know the extent of the differences between advanced country and emerging-country multinationals investing in developing countries, in relation to human rights and economic impacts. Recent studies that address this question (e.g. Pegg, 2012; Fiaschi et al., 2012) suggest that EMNCs are not much more unethical or more detrimental to their host economies, than their competitors from the EU or North America, which contrasts with the conventional wisdom and opens up a new line of enquiry in this area. We need also to know how the country of origin variable interacts with industry- and country-specific factors.

In addition, current research covers only selected industries and countries. For instance, analyses of FDI spillovers mainly refer to the manufacturing sectors in Latin American and Asian countries – especially Mexico, Chile, Venezuela, Indonesia, India and China – and some transition economies in Eastern Europe and Russia. They largely ignore the primary sectors and the African continent, mostly because FDI spillover studies focus on the manufacturing industries which are generally absent in most of Africa. Conversely, studies on the impacts on human rights of MNCs often concentrate on the most disadvantaged regions in the world, in African countries and in Central America, and on selected sectors such as the extractive industry (Papaioannou, 2006; Wright, 2008; Drimmer, 2010; Slack, 2011), the most labour-intensive industries (Arnold and Bowie, 2003; Roloff and Aßländer, 2010) and the chemical and pharmaceutical industries (Leisinger, 2005; Santoro and Gorrie, 2005; Brice, 2008; Wise, 2009). A unified research agenda on MNCs' human rights and economic impacts should include a wider and more homogeneous coverage of industries and countries. The service industry also needs more consideration given its growing relevance in the global economy.

There are also other interesting issues, which this review did not cover, concerning the impact that both the generation of local spillovers and the promotion of human rights (vis a vis their abuse) produce on the MNCs' performance. In particular, are MNCs that generate positive spillovers in the host country and, at the same time contribute to promote human rights, likely to benefit from that? Do such firms obtain more benefits than firms generating no productivity or export spillovers (and therefore protecting all their internal knowledge) and committing human rights abuses to access resources or obtain efficiency gains? And finally, which of the two strategies is likely to pay more over the long term, all other things being equal?

Addressing these and similar questions poses a number of methodological challenges. First, there are some measurement issues. Economists and other social scientists interested in the economic impacts of FDI tend to quantify them using primary and secondary data. Productivity, exports and wages are easier to measure compared to human rights, which essentially are a qualitative phenomenon (for a critical discussion see Claude and Jabine, 1986). To measure human rights, it is necessary to consider the problems inherent in gathering the necessary data and assessing its reliability. Putting together information on human rights impact is fraught with difficulties (e.g. victims might be intimidated, difficult to reach or diffident about being interviewed). There are also questions about political bias among human rights groups that often are the main collectors of these kinds of data (see Goldstein, 1986). Hence, until very recently, the study of human rights' impacts and/or violations has most often been qualitative, producing narrative accounts or describing historical processes. However, quantification is necessary to monitor human rights and allow comparison across countries and over time (United Nations, 2008). Some scholars have progressed to measurement of corporate human rights abuses and irresponsible behaviour (Strike et al., 2006; Fiaschi and Giuliani, 2011; Surroca et al., 2012), but, as suggested recently by Kolk and van Tulder (2010: 123), "there are hardly large-scale databases on CSR and on the impact of MNCs on the various dimensions of sustainable development", especially when the focus is developing countries. Hence, a promising line of research would be to create large-scale datasets covering countries and industries that so far have been ignored by scholarship. Of course, the difficulty inherent in collecting these data should not be understated by researchers keen to quantify economic and human rights impacts. A possible strategy for large scale research projects would be to adopt a mixed-method analysis that uses quantitative and qualitative approaches.

Second, there is a timing issue. Positive and negative economic and human rights impacts may materialize at very different rates. For instance, productivity or export spillovers assume a learning process on the side of domestic firms that takes time, often years, to materialize. Even negative spillovers may be the result of adjustments to new market conditions that require time to be overcome. Similarly, improvements to certain human rights – e.g. general improvements to national labour rights – can take a long time to mature, because they require changes to the national institutions and cultural values (Rivoli and Waddock, 2011). In contrast, human rights abuses do not require a learning process or major institutional changes, and they may be abrupt and unexpected. These timing issues should be given due consideration in designing future research on the economic and human rights impacts on foreign multinationals.

A new research agenda on MNCs' economic and human rights impacts, will refer to different strands of academic research. This will contribute to the body of international business research on the impacts of MNCs on host economies by extending the current firm-centred focus of analysis on employees' and local communities' human rights (see e.g. Buckley and Ghauri, 2004; Meyer, 2004; Piscitello and Santangelo, 2007; Ghauri and Yamin, 2009; Beugelsdijk et al., 2010; Narula and Drieffield, 2012). It will also produce synergies with development studies on Global Value Chains and economic and social upgrading processes (Barrientos et al., 2011a; 2011b; Milberg and Winkler, 2011; Rossi, 2011), by analysing MNCs' impacts beyond the value chain, and looking at a wider range of human rights in addition to those of workers, which have generally been the core of these studies. More importantly, human rights, law and political scientists working on MNCs and human rights are demonstrating growing attention to the achievement of economic goals along with respect of human rights (see e.g. Alston and Robinson, 2005; De Schutter et al., 2012) and this paper encourages further research along this line. Economists seem more focused on a strictly mono-disciplinary research agenda. Hence, inter-disciplinary research on this subject could expose economists to more useful debate on MNCs' impacts, which implies reconsideration of the neoliberal idea that human rights improvements will follow *automatically* from the achievement of economic goals. One reason for this is that it may take generations before a country's openness to FDI generates (if it does) positive economic impacts that lead to substantial changes in human rights, and research should investigate what happens to human rights *in the meantime*, or at least contemplate, and discuss, the potential negative human rights consequences that some investments may generate while they do also produce significant spillovers. To conclude on this point, we believe, and we think we have made it clear in this paper, that these questions should be addressed theoretically, methodologically and empirically by the new generation of scholars interested in FDI/MNCs developmental impacts.

Policy recommendations are beyond the scope of this paper; however, we believe that a more direct and inter-disciplinary investigation of the economic and human rights repercussions of business can be very relevant for policy making. Academic research on FDI and MNCs' impacts often have important policy implications relevant to governments in developing countries keen to attract FDI, and to international organizations, aid agencies and donors interested in refining or recommending the optimal policy actions for improving FDI developmental impacts. It is crucial, therefore, that recommendations promoting one kind of impact are not be detrimental to another – as a rights-based approach to development has long advocated (Alston and Robinson, 2005). Certainly, in some cases government leaders attract FDI to satisfy their selfish interests, and have no interest in promoting the development of their country (see e.g. Reno, 1998 on Nigeria's oil revenues; Soares de Oliveira, 2007 on Gulf of Guinea oil producers; Frynas and Wood, 2001 on mineral wealth and war in Angola; Keen, 2003 on "greedy elites" and the conflict in Sierra Leone)[xiv] – i.e. Collins (2009) two player capitalist exploitation model. However, knowledge about the factors mediating FDI impacts on host countries is likely to be important to other more responsible governments that are obliged to tackle the design of policies that allow them to maximize the positive impacts of FDI and minimize the potentially negative impacts.

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Endnotes

[i] We are aware that some developing countries are mostly untouched by FDI inflows. For instance, among the African countries there are great disparities within countries such as Togo, Lesotho, Sierra Leone, some of which receive much lower levels of FDI inflows than countries such as Nigeria or South Africa (UNCTAD, 2012)

[ii] Regimes that have maintained political and financial stability thanks to oil revenues and international credibility while neglecting the rights and welfare of their populations are labelled "successful failed States" by Soares de Oliveira (2008).

[iii] Readers interested in the macro level impacts of FDI should refer to other contributions. An overview of the macro-level economic impacts of FDI can be found in Borensztein et al. (1998); Ram and Zhang (2002); Fumagalli (2003); Clark et al. (2011). In relation to the impact of MNCs on country-level human rights and human development, see e.g. Sharma and Gani (2004) and Kim and Trumbore (2010).

[iv] We refer to Human Rights as defined in the Universal Declaration of Human Rights and other international instruments, among which the International Covenant on Civil and Political Rights and the International Covenant on Economic Social and Cultural Rights. When we address Labour rights, on the other hand, we refer generally to the rights protected by the ILO Conventions. It must be noted, however, that the labour rights identified by the ILO as "core" labour standards - freedom of association and right to collective bargaining; prohibition of all forms of forced labour; abolition of the worst forms of child labour; non discrimination in employment and occupation - are also human rights protected by human rights conventions and, at least some of them, by international customary law. The literature and the practice of policy making have often treated economic and human rights impacts as two separate issues. As Alston and Robinson (2005) notice in their book "to some of the governments who constitute the [World] Bank's shareholders "the very mention of the words human rights is inflammatory language". And so in order to avoid controversy the [World] Bank has opted in the past to "talk the language of economics and social development"" (p. 4). Hence, mainstreaming a rights-based approach to development is still an ongoing and unaccomplished endeavour. In this paper, we treat economic and human rights impacts separately, although we agree that there may be areas of

overlap between them. For instance, wage improvements are enshrined in the right to work (for a discussion on this see Gauri, 2005).

[v] Governments' expectation are based on the fact that most MNCs are technologically advanced firms. For instance, in 2002, the 700 largest R&D spending firms in the world – of which at least 98% are MNCs – accounted for nearly half (46%) of the world's total R&D expenditure, and more than two-thirds (69%) of the world's business R&D (UNCTAD, 2005: 151).

[vi] We use the term 'mediating factor' to refer to variables that are required for a given impact. However, in many of the studies reviewed here these factors are also 'moderating factors', i.e. variables that can moderate (i.e. lessen or increase) the relationship between FDI and its impacts.

[vii] For instance, the adoption of CSR policies has been investigated as a mediating factor in human rights abuses, but has no theoretical connection to spillovers, while the significance of geographical proximity is a key mediating factor in the realization of technological spillovers, but has never been associated to human rights.

[viii] At firm level, economists often use the term firm's absorptive capacity to indicate the strength of the firm's knowledge base, consistent with Cohen and Levinthal (1990).

[ix] This is a highly debated topic. For an example, see Tait (2001).

[x] The primary industries (mining, oil extraction, refining) are classified by the OECD as medium-low technology industries (Hatzichronoglou, 1997).

[xi] EPZ are typically (but not exclusively) associated with efficiency-seeking strategies, because EPZ respond to policies designed specifically by governments to attract MNCs with an interest in minimizing their production costs, taking advantage of fiscal incentives and other facilities offered by the host country – including cheap and an abundant labour force.

[xii] Clearly, spotlight effects may act only as a deterrent and it is unclear how much they really shape corporate behaviour; e.g. boycotts aimed at diluting brands are not always successful in reducing corporate profitability. We thank an anonymous referee for this insight.

[xiii] While the US Alien Torts Claims Act, which has extraterritorial reach, has proved a powerful tool (Clapham, 2006; Shamir, 2004), there have been important developments in the jurisprudence of European courts (Wouters and Ryngaert, 2009; Wouters and Chanet, 2008).

[xiv] We thank an anonymous referee for this insight.

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APPENDIX

We conducted a systematic literature search that involved two steps. First, we undertook a search using the Scopus database for published papers, and Google-scholar for grey literature and books. We searched on different combinations of key-words, including: “Foreign Direct Investment”, “Multinational”, “Transnational”, “subsidiary”, “affiliate” (and their acronyms FDI, MNC, MNE, TNC, etc.), “suppliers”, “supply chain” and “spillover”, “linkage”, “human rights”, “globalization”, “resource curse”, “environmental justice”, “corporate social responsibility (CSR), “ethics”, “code of conduct”, ”“productivity”, “technology/gical”, “competition”, “Intellectual Property Rights (IPR)”, “wage”, “union”, “NGO”, “civil society”, “elites”, “state capacity”, “absorptive capacity”, “systems of innovation”, “high tech”, “low tech”, “primary industry”, “agriculture”, “oil”, “textile”, “wood”, “labour intensive”, “country of origin”, “nationality”, “market seeking”, “efficiency seeking”, “resource seeking”, “innovation”, “entrepreneurship”, “minority” and “autonomy”. The second step consisted at reading surveys of the literature that included useful works not identified by Scopus or Google-scholar. These include, for the FDI/spillover literature, Gorg and Greenaway (2004); Meyer and Sinani (2009); Fontoura and Crespo (2009); Irsova and Havranek (2012), and for the human rights/CSR literature, Arthaud-Day (2005), Kobrin (2009) and Kim and Tambore (2010). Among the papers that resulted from this search we selected mainly those providing empirical evidence (large scale analyses or case studies) on developing countries. We generally did not consider purely conceptual or theoretical papers, nor papers focusing on advanced countries, with the exception of some key contributions that provided insights we considered useful for our analysis (e.g. theoretical papers that proved useful to explain some of the empirical findings from the literature). Although we tried to apply similar criteria to the selection of studies on MNCs’ economic and human rights impacts, there are profound inter-disciplinary differences in terms of the types of papers available on this topic. Most of the empirical studies in this survey analyzing MNCs’ economic impacts rely on econometric exercises and, in some cases, we also considered case-studies, especially those that dealt with impacts and not simply with mechanisms of spillover generation. In contrast, most of the work on MNCs’ impacts on human rights are based on detailed, often historical case-studies, and a significant portion is conceptual and/or are normative in nature. Conceptual and normative work, while not based on empirical research, generally resort to anecdotal evidence to support their analyses. We considered these typologies of work if they were useful for deducing

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the mediating factors that influence the impact of business and CSR on human rights and society. Moreover, as also noticed by De Schutter (2005), most of the literature on MNCs and human rights is biased towards the prevention of and remedy to human rights abuses, rather than towards the active promotion of rights, especially the right to development. Our literature review does reflect this bias. Overall we counted on 76 empirical papers on MNCs' economic impacts, and on 97 papers on MNC's human rights impacts (part of which are conceptual and/or normative). An organized list of the papers is available upon request by the authors.

TABLE

Table 1 Mediating Factors and MNCs' Impacts: A Summary of the Empirical Literature Review

	Economic Impacts	**Human Rights Impacts**
External		
a. Host Country		
Social Capability	Positive	Positive
State Capacity	Positive	Positive
Civil Society (MNCs' strong engagement with)	Positive	Positive
b. Industry		
High Competition	Negative in the short term/ Potentially positive in the long term	Negative
Low technology:		
▪ Traditional sectors	Positive	Negative
▪ Primary sectors	Insignificant	Negative
High technology	Positive conditional with low tech gap	Mixed/Inconclusive
Internal		
c. MNC		
Nationality of parent (advanced vs. emerging country)	Mixed	Mixed
d. Subsidiary		
Subsidiary investment strategy:		
▪ Resource-seeking	Insignificant	Negative
▪ Efficiency-seeking	Insignificant to Negative	Negative
▪ Market-seeking	Positive	Insignificant to Positive
Subsidiary innovation and entrepreneurship	Positive	Positive
Subsidiary autonomy (minority-stake)	Positive	Negative

Source : Author's elaboration on the basis of the literature review.

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