Coming full circle? Forging missing links along Nike’s integrated production networks

JESSICA ROTHENBERG-AALAMI

Abstract ‘Global’ corporations are being held accountable for conditions at sites of production, formerly the domains of their foreign contractors. This shift was exemplified when consumers in Nike’s largest markets began replacing the excitement of the latest pair of Nike shoes with a question: ‘Should I be wearing Nike shoes?’ With existing analytical tools, we cannot comprehensively answer this question. To do so, we need a more complete picture of international production networks, their interrelationships among agents and their geographies. The use of an integrated production network that links consumption and production analyses and place-based conditions accomplishes this goal. This integrative approach allows for more thorough investigations of firm networks, the regions where they interact, the labour upon which they depend, and the consumers that influence their behaviour. Furthermore, investigating ‘feedback loops’ between these facets provides a means of understanding how reforms along production networks are mediated.

Nike, Inc has come to symbolize the negative representations of transnational corporations (TNCs), becoming, in the words of chairman and CEO Philip H. Knight (1998), ‘synonymous with slave wages, forced overtime and arbitrary abuse’ of its overseas factory labour. Within the United States and Europe, networks of consumer organizations use Nike, Inc (hereafter Nike), a company commanding over 45 per cent of the athletic shoe market with revenues reaching nearly $9.5 billion in 2001, as the target of their anti-sweatshop campaigns (Hoover’s Inc 2001). They argue that, given Nike’s position in the industry, the company has an obligation to show leadership in establishing adequate standards for its factory suppliers. One logic used to justify a global movement is ‘if Nike is forced to change, the rest will follow’ (Global Exchange 1998). Anti-Nike campaigners argue, ‘if Nike has genuinely reformed its labor practices then it demonstrates that transnational corporations can be responsive to consumer demands for better social performance’ (Conner 2001).

Criticism stems from the fact that Nike, like many export-oriented TNCs that manufacture abroad, subcontracts its production with Asian manufacturers, which often have controversial relationships with low-waged women workers in their factories (Spar 2000; see also Frobel et al. 1980; Hale 1997). In Vietnam, for example, labour incidents at Nike-affiliated factories made international headlines in 1998, alerting consumers to adverse conditions for the predominantly female workforces.
who assemble Nike’s world-famous athletic shoes. At the height of the polarized debates, Nike announced it would enforce comprehensive reforms in its subcontracted factories, at the same time refashioning the company as a leader in the effort to reform working conditions throughout the developing world. Existing approaches to the study of business networks do not take consumer and labour activism into account, privileging instead explorations of power dynamics between business entities. How can we better explore how consumer and labour activism are reshaping relations between these and overall business networks?

Exploring this question requires an understanding of the commodity chain. An approach derived from the political economy of production analyses, commodity chains are defined as the ‘network of labor and production processes whose end result is a finished commodity’ (Hopkins and Wallerstein 1986). Power is not fixed, relations are not unidirectional and social contexts shape commodity chains. Thus, Nike commodity chains are geographically contingent, varying across different national, regional and local contexts. Activities that occur at one site can reverberate in different ways across the entire length of the chain. Interrelationships between sites also shape and are shaped by transnational business activities.

One way to illuminate this dynamism is through an investigation of consumer activism along TNC commodity chains, which has created, in the case of Nike, waves of change along its entire athletic footwear network. The specific impacts of consumer agency along Nike’s networks, however, can only be understood adequately by grasping the ways that numerous dimensions – corporate cultures, commodity chain configurations, embeddedness in a variety of regional contexts and localized labour regimes – mediate changes that occur along its integrated production networks.1

An integrative approach to the study of global commodity chains and global business networks

An integrated production chain incorporates aspects of commodity chain and business network approaches. Gereffi’s global commodity chain (GCC) provides a now standard framework for thinking more precisely about the specific practices and forces that shape the manufacture and flow of goods by bringing together the analysis of different sites, including production, distribution, retailing, design, advertising, marketing and final consumption (Gereffi and Korzeniewicz 1994). The virtue of a GCC approach is its emphasis on process, the geographical dispersion of economic activities, its acknowledgement of asymmetrical power relations along chains, and the stress on the social embeddedness of economic relations.

Most GCC studies, however, concentrate on the governance structures of chains (defined as authority and power relationship between firms that determine how financial, material and human resources are allocated within a chain) or input–output structures, overlooking a plethora of more subtle factors important for more complete depictions of integrated production networks. Furthermore, GCC analyses are most often studied in terms of particular products or from the vantage point of themes, such as gender, or individual sites such as place (Hartwick 1998; Leslie and Reimer 1999). An augmented production chain approach incorporates all three.
An integrated production chain also benefits from the geographical approach offered by global production network (GPN) analyses. GPN approaches have been employed to explore the specific organization of firms and networks, their embeddedness in social relations and the geographical outcomes of networking among them (Coe et al. 2003; Henderson et al. 2002). This view of the firm holds that networks are constructed through ongoing processes and social relations across scales. The advantage of this approach is that it views firms as complex, inter-scaled linkages involving ongoing processes and relations among actors and participants embedded in a range of social, cultural and local relations that create unique networks, organizations, responses and outcomes.

Although both approaches stress the multiple agents involved in commodity production (for example raw material suppliers, factories, traders and retailers), the geographical spread and organizational scope of transnational production arrangements, and the non-human relationships are key to network formation and transformation. In this article I concentrate on one link often missed in previous studies: the relationship between consumers and labour. The neglect of this link is not surprising considering how consumption and consumer activism have received relatively little attention in GCC studies within geography until recently (Clark 1994; Cook and Crang 1996; Crang 1997; Jackson and Thrift 1995; Leslie and Reimer 1999). Even fewer studies consider relations between consumption and production, especially the workers who produce, distribute, advertise and retail products (see Hartwick 1998, 2001; Leslie and Reimer 1999).

However, Leslie and Reimer (1999) argue that a spatial approach to the study of GCCs is helpful in guiding both policy and politics and involves the integration of both vertical dimensions (which identify differences in the ways in which production and consumption are linked in various commodities) and horizontal analyses (which begin with a particular aspect shaping a node and then generalizing it across the economy as a whole). This case incorporates vertical and horizontal dimensions, ‘spatializes’ a Nike commodity chain, and incorporates gender analysis at multiple sites in the chain. But, unlike other analyses, the research presented here does not start at consumption and trace relations back to the underlying exploitative reality of production whereby ‘points of distribution and consumption are merely noted at the outset before commencing the real task of ‘unveiling’ production and extraction’ (Leslie and Reimer 1999). In this article I do not privilege a particular site on the chain, but rather investigate how space and place mediate relations along an integrated production network.

Moreover, Hartwick (1998) argues that commentators who do consider consumption and GCCs most often ‘fail to incorporate the sign of the commodity at the consumption end (representation, aesthetics) and the material conditions at the production end (social relations, reproduction of workers). These instances of neglect occur specifically at the most politically sensitive sites along commodity chains, preventing that concept from uniting, in a comprehensive politics, consumption, culture, labor and the use of nature.’

Specifically, her hypothesis is that commodity signs and representation, such as advertisements, must obscure the labour processes, chains of connections and material
conditions involved in producing and distributing commodities. She argues, ‘by making connections between consumption nodes and production nodes, power, praxis and agency can shift to aware consumers linked with active producers’ (Hartwick 1998).

However, Hartwick’s approach views the activities of consumers in a uni-directional way, whereby consumers, once conscious, enact a politics of consumption capable of uncovering exploitative conditions at sites of production. In the case examined here, by contrast, transnational consumer advocacy networks are not only aware of the problems at sites of production, but are informed by the activism present at sites of production. Furthermore, anti-Nike groups have subverted Nike’s symbolic imagery by converting Nike’s advertisements into negative representations of the company and the supposed ‘sweatshop’ conditions of contractors’ factories. Therefore, links between consumption and production nodes are multidirectional. Furthermore, the approach in this article connects ongoing struggles at multiple sites along an integrated production network to show not only how they interrelate, but also reshape socially embedded business networks. In other words, outcomes of dialectical relations between consumers and producers can reshape integrated production networks in differential ways at various nodes.

**Addressing missing links along Nike’s integrated production network**

After nearly a decade of labour and consumer activism intent on tarnishing the ‘global’ corporation’s image, Nike announced it would reform its integrated production networks in accordance with socially responsible business practices and demands made by multiple ‘stakeholders’. These stakeholders include international regulators, interest groups, suppliers, employees, customers and its shareholders (O’Rourke 2002).

Since announcing reforms in 1998, Nike has instructed its independent contractors to improve conditions at their manufacturing sites in Asia and elsewhere, thereby redefining the contractual relationship between name-brand buyers and sellers. Some of these changes include ameliorating indoor air quality in factories, increasing wages, restricting overtime, providing more oversight and improving communications between foreign managers and local labour (McDonald and London 2002).

In order to understand changes along Nike’s integrated production networks, especially from non-traditional factors such as consumer activism, we need to know more about who is involved, what is at stake, and where, when and how transactions take place. As the following empirical accounts show, consumer activism sparked reforms along Nike’s contracting networks while socially embedded responses mediated their impacts. These findings illuminate the importance of considering both ends of the commodity chain – consumption and production – and the impacts of their interrelationship along the length of the chain.

**Transnational consumer advocacy networks and Nike**

Prior to the 1990s, Nike experienced global pre-eminence while coordinating its sourcing networks composed of name-brand footwear manufacturers in Asia (Donaghu and Barff 1990). Over the decade, however, labour strikes at sites of
production and transnational consumer activism in its largest markets raised awareness about problematic conditions underpinning Nike’s footwear networks. Consumer groups criticized Nike’s reliance on manufacturers’ low-wage women workers while Nike trumpeted the ability of its products to empower its expanding market of women. Consumer groups based many of their anti-Nike campaigns on this contradiction, subverting Nike’s media messages, namely converting Nike’s ‘Just Do It’ campaign with ‘Nike, Just Don’t Do It to low wage women in Asia’.

Nike factories are the focus of transnational communities of stakeholders known as transnational advocacy networks, which are networks of activists, distinguishable largely by the centrality of principled ideas or values in motivating their formation (Keck and Sikkink 1998, 1999). These networks include ‘international NGOs, local NGOs, workers and the media, engaging companies such as Nike – globally branded firms with local operation – and seeking both to change local conditions and to transform global systems of production’ (O’Rourke 2004).

The networks use a variety of tactics, including information politics, or the ability to move politically usable information quickly and credibly to where it will have the most impact, accountability politics, or the effort to oblige more powerful actors to act on vaguer policies or principles they formally endorse, and direct pressures (Keck and Sikkink 1999: 93).

Anti-Nike transnational advocacy networks did not emerge overnight. As major TNCs increased their outsourcing to contractors in the 1980s, changes in information-sharing technologies made it possible for activists to link with nascent unions and workers’ rights groups at sites of production. For example, campaigns targeting Nike started in 1988 when Jakarta newspapers published negative stories about labour conditions at Nike plants in Indonesia that were later disseminated regionally and internationally. In conjunction with these press releases, many studies alleged that abuse in Nike factories was widespread, including a USAID-funded survey documenting minimum wage violations, the Hague-based Institute of Social Studies’ review of the Indonesian shoe industry, Christian Aid of the United Kingdom’s assessment of the Southeast Asian shoe business, and regional research from the Italian Center for a New Model of Development (Ballinger 2001). Furthermore, country-wide consumer information campaigns were launched in Holland (IRENE, Komite Indonesie and the Clean Clothes Campaign), France (Agir ICCi), Belgium (CMOS), Germany (Sudwind) and Canada (Development and Peace). NGOs in Hong Kong, Indonesia, Thailand, Cambodia and Mexico have also advanced anti-Nike efforts, publishing reports on the Internet and using the media to educate the public about labour conditions inside Nike plants (Benjamin 1999; Bissell 1999; Shaw 1999).

Anti-Nike transnational advocacy networks rely on the media and the Internet. In the case of Vietnam, incidents were disseminated widely by NGOs in the United States (through initiatives such as Global Exchange, the Campaign for Labor Rights, Vietnam Labor Watch, Press for Change, Justice Do It! Nike, and Sweatshop Watch), and in Europe and Australia (through, for example, the Clean Clothes Campaign and the Nike Watch Project). For example, in early 1998, a manager allegedly hit a worker in one of Nike’s factories. A friend of this worker called Thuyen Nguyen, the Vietnamese-American director of Vietnam Labor Watch in Washington DC, to report
the incident.\textsuperscript{3} Mr Nguyen had given this person a prepaid phone card to use on such an occasion.\textsuperscript{4} After learning about the abuse, Mr Thuyen called another contact in Vietnam to arrange for the worker to be interviewed on videotape the next day. This videotape was then sent to the Singapore office of ESPN, the cable sports channel, which was preparing a story on conditions in Nike factories in Vietnam. The interview was transmitted to ESPN headquarters in the United States and translated into English. The tape and transcript were also circulated to interested newspaper reporters. Within a matter of days, the interview with the abused worker appeared on televisions around the world and across anti-Nike campaign websites, before Nike officials in the United States had even heard about the incident.

Another well-known example involves a foreign scholar and activist and a disgruntled employee. In 1997 a disgruntled employee at the Tae Kwang Vina factory in South Vietnam leaked a Nike-commissioned Ernst & Young internal auditing report that outlined harsh labour and environmental conditions for the predominantly female workforce. The report also found that workers with skin or breathing problems had not been transferred to a department free of chemicals and that more than half the workers who dealt with chemicals did not wear protective masks or gloves. The report also revealed that toluene was found to exceed more than 150 times the acceptable levels (O’Rourke 1997).

Advocacy networks in Vietnam are also fuelled by local government officials, official trade unions, organizations in Vietnam, community members and the workers themselves. According to O’Rourke, there are more than 150 environmental centres, institutions and organizations registered in Vietnam, and some of these are called NGOs. However, the majority are associated with government universities or institutes. Mass organizations (such as the Women’s Union), as well as academics, academic NGOs, the media, international governmental agencies (such as the UNDP) and bilateral aid donors (such as Sweden’s SIDA), all operate to different degrees like advocacy organizations. Starting in 1995, I saw this first-hand though my work with the Women’s Union (VWU). The VWU is the only entity in Vietnam with representatives at all levels – village, district, provincial and national. Not only did the union administer aid programmes throughout the country from groups like SIDA and the UNDP, but it also provided advocacy for factory workers in export factories as on-site representatives. Many of the stories of problematic conditions for factory workers in the media came from VWU staff who worked closely with Lao Dong (The Worker’s Newspaper), Thanh Nien (Youth) and Phu Nu Viet Nam (Women of Vietnam magazine).

Advocacy networks in Vietnam employed a number of strategies, from gathering information on conditions and practices inside factories or within communities to disseminating the stories to Nike’s largest markets: the USA and western Europe. One strategy underpinning the others, however, has been extremely effective: targeting Nike, not the contractors that manufacture its shoes. Athletic footwear manufacturers from South Korea and Vietnam have produced Nike shoes for decades. Activism aimed directly at Nike’s primary contractors, including Pou Chen and Feng Tay of Taiwan, and Tae Kwang Vina of South Korea, which all have plants in southern Vietnam, has shown little effect. Advocacy networks focus instead on Nike, which
does not wholly own any shoe factories. According to O’Rourke, ‘these protests and media campaigns clearly do [have an] impact [on] the factories in Vietnam’. In his study of Tae Kwang Vina, managers explained that protests in front of Nike Town led to Nike forcing changes along their production lines in Vietnam. My own research confirmed this sentiment for Nike’s exclusive contractor, Feng Tay, which only escalated after Nike CEO Knight announced comprehensive reforms of its contracting relationships on 12 May 1998, marking a ‘watershed event’ that signalled ‘a sea of change in the company culture’ (see Goldman and Papson 1998).

**Nike reforms and contractors listen?**

After a decade of criticism, Nike announced it would require reforms of its contractors in order to meet consumer demands for more accountability, especially in the areas of labour and environmental protection. This change was exemplified with posters on the walls at factories I visited. One posted in a factory in Taicang, Suzhou, China read:

> To be the world’s best athletic footwear factory – the model factory. Everything leads to this goal. Turning a profit. This is one of our goals but it’s not enough. Providing a positive, fair, safe, productive work environment. Yes, but it’s not enough. Create a most efficient, the cleanest, and a non-polluting factory. Yes, but it’s still not enough. What is enough? Remember, There is no finish line.

Over the course of interviews with Nike and Feng Tay representatives, it became apparent that proposed changes to factory conditions were motivated by many factors, including business strategies, shifting internal corporate cultures, and local, national and international pressures that changed over time.

Over the decade, Nike responded in different ways to anti-Nike reports and campaigns. The company denied that it could control its contractors’ labour practices, claimed that the wages and factory conditions reported were inaccurate, and promoted initiatives to remedy controversial conditions in contractor plants. Nike interviewees provided different motivations for the various changes, including employee morale, financial concerns, and improving quality control. For example, employee morale was reduced during the height of the anti-Nike campaign, especially after the company and the signature brand image, the ‘Swoosh’, had come to symbolize a global sweatshop problem. Over ten years of concentrated effort to tarnish Nike’s name, anti-Nike consumer rights groups made inroads into Nike culture (see Goldman and Papson 1998; Sage 1999; Varley 1998). Others claimed that changes were a way to contend with impending financial losses. In 1998, slumping sales, profits and stock prices caused economic distress for Nike and styles in the United States and Europe were changing, resulting in Nike losing its market share. Because the United States and Europe carried 83 per cent of total company revenues, while the Asia Pacific region accounted for 11 per cent and the Latin American region just 6 per cent (Euromonitor 2002), Nike’s recovery hinged on gaining further access to current markets, especially
those that provided its contractors with their lowest priced labour inputs. Lastly, a few consumer rights groups argued that Nike had been reforming its contracting relations over the decade to respond to increased competition, demands by consumer groups for improved labour and environmental groups, and to improve quality control.

Despite the various motivations, Nike’s core contractors faced changes in their factories as a result of the company’s initiatives. Nike does not own any of the factories. Direct control and regulation of labour and environmental conditions are not feasible; therefore Nike works through partnership programmes, workshops, incentives, persuasion and occasional sanctions (Sabel et al. 2000) to assess, monitor and improve conditions. Furthermore, alongside Nike’s ‘manufacturing expatriate technicians’ in the factories, environmental and labour teams oversee operations in conjunction with in-country liaison offices. If violations occur, Nike claims that swift action is taken to assure corrections are made and that restitution is made if appropriate, and that another programme will be put into place to prevent a recurrence.

Aside from factory oversight, Nike’s labour practices division evaluates contractor factories according to its SHAPE programme – Safety, Health, Attitude, People and Environment. SHAPE ranks a factory on whether the ‘worker is managed in a manner that is characterized by dignity and respect for the individual and appreciation of the culture’. This means management must learn to treat the worker like a valued asset – with vocational training, recreation programmes and on-site services. These evaluations are tied to orders from Nike prompting contractors’ compliance. Furthermore, since June 1998, Nike contractors and Nike representatives participate in MESH (Management of Environmental Safety and Health) workshops to motivate change at contract factories. MESH workshops and teams from each of the contractor factories receive training from headquarters and share best practices with their factories on how to promote culturally salient forms of team work. The MESH programme is tied to international standards for corporate responsibility and based on ISO 14001 certification, a socio-environmental indicator.

Assessing the impact of stated reforms depends on place-based analyses of contractor manufacturing sites, as illustrated by the case of Feng Tay of Taiwan’s plant in Dong Nai, southern Vietnam. One of Nike’s primary contractors, Feng Tay Company Ltd of Taiwan has manufactured footwear exclusively for Nike since 1975. C. H. Wang, owner and former president, states his company was founded on one motto, ‘for reasonable profit, comfortable living and everlasting existence’. He started Feng Tay Enterprise Company Ltd in May 1971 after working for his father’s export manufacturing business, which shifted from banana and fruit exports, to rubber tyres and then to canvas shoes once it became linked to Japan’s Mitsubishi Trading Company. In 1975, Nike chose Feng Tay as an exclusive contractor because it proved to be a model footwear factory known for innovations on the production line and a relentless drive to improve its manufacturing capabilities. As a large-firm producer of athletic shoes, Feng Tay has also utilized its relationship with Nike to expand its business networks through overseas subsidiaries and to increase its value-added activities as an original equipment manufacturer (OEM).

Feng Tay’s headquarters are located in Toi Liu, just outside the shoe region of Taichung, Central Taiwan. Feng Tay and Pou Chen are among the very few large
Taiwanese firm networks that employ over a thousand workers. In conjunction with changes in the domestic footwear industry and Nike’s strategic plans, Feng Tay first moved manufacturing offshore to Putian, Fuzhou, China in 1988. However, since reforms during the 1990s, Feng Tay became a ‘Nike strategic partner’ coordinating a manufacturing network of over eight subsidiaries, 60 production lines and 45,000 employees – with plans for continued growth. Most of Feng Tay’s overseas investments have been as 100 per cent foreign-owned factories or joint ventures with local agents. However, since reforms, Nike has also hired Feng Tay as a ‘management vehicle’, responsible for reorganizing existing operations under other owners. Nike’s role in these joint ventures is essentially that of a third party with a vested interest in all participating factories. Headquartered in Taiwan, Feng Tay moved manufacturing operation to sites in China, Indonesia and Vietnam in the 1980s and 1990s.

Feng Tay moved to Vietnam in 1995, based on Nike’s encouragement once US–Vietnam relations were partially normalized, although a bilateral trade agreement did not take effect until December 2001. Nike requested that Feng Tay serve as a management vehicle, and then eventually resume ownership, of a fledgling Nike-producing plant within a region known as Southeast Vietnam, in close proximity to other Nike producers. After my field research, Feng Tay added another Vietnam factory to its list of subsidiaries, which makes Vietnam Feng Tay’s second largest overseas production base, following mainland China.

Nike contractors are required to follow standardized programmes. For example, alongside SHAPE and MESH evaluations mentioned previously, all contractors must buy materials from subassembly and component manufacturers that are listed on Nike’s pre-approved vendor list because they have met Nike’s codes of conduct. In terms of labour, contractors must provide pay above the minimum wage, advancement opportunities such as educational courses for high school equivalency, restricted overtime hours, a day off in seven, to name only a few conditions. On the environmental front, contractors were required to replace the majority of toxic adhesives used to glue parts of shoes with a water-based compound, ensure sufficient ventilation in the factory and meet other international environmental standards. However, as previously mentioned, Feng Tay is its own complex network with subsidiaries that span geographies. As the following empirical accounts show of this global integrated production network, standardized reforms produce anything but standardized effects.

Contractors reform and labour benefits?

If we consider Nike an integrated commodity chain, its response to consumer activism describes only a few of the dynamics occurring along global integrated production networks. Further investigation of contractors’ and labour responses to Nike’s reforms at each site of production provides the means of analysing how reforms are mediated by specific socio-cultural economic conditions. In the case of Feng Tay’s Vietnam factory, known as VX, responses by localized labour prompt, mediate and even contest certain reforms initiated by Nike during the 1990s.

In conjunction with Knight’s promise in 1998, Feng Tay has worked to remove the majority of petroleum-based compounds – which can cause skin and respiratory
ailments – from glues, primers and cleansers and improved ventilation at VX. Because Nike banned its contractors from seeking exemption to Vietnam’s minimum wage, Feng Tay pays slightly above minimum wage (US $47.50 instead of US $45 in 1999) and no longer pays three-month training wages (70 per cent of full) to new recruits. Furthermore, Feng Tay buys all components and materials used in shoe assembly from pre-approved Nike vendors that adhere to its labour and environmental codes. In addition, managers at the Vietnam plant have to undergo cultural-sensitivity workshops, as do directors and line supervisors (Schmit 1999). Feng Tay runs evening education programmes for workers interested in getting their high school equivalency. Lastly, Feng Tay works closely with manufacturing, labour and environmental technicians from Nike’s liaison office 45 kilometres away in Ho Chi Minh City to ensure changes are in accordance with SHAPE and MESH. But how have workers responded to these changes?

VX, located in Song May industrial zone in Dong Nai, the province adjacent to Ho Chi Minh City, is productive: in 1999, VX produced 2.4 million pairs of shoes for Nike, close to 6000 pairs a day produced by approximately 6000 people, the majority Vietnamese women. VX represents a new phenomenon in Vietnam since the market reforms in 1986 known as doi moi, as a privately owned subsidiary of a foreign multinational corporation operating in a newly established industrial park with workers coming from all corners of the country.

After doi moi, there were significant changes both in migration patterns and in job opportunities. The majority of migration involves circular migration of individuals and households between agricultural areas and to town and cities. In the past decade, many workers have moved to Hanoi, Ho Chi Minh City and other urban centres, yet they return to rural areas at harvest time or send back remittances (Locke et al. 2000; Summerfield 1997). Freedom of migration, however, has increased under reforms. Vietnamese citizens have to be recorded as belonging to a household (ho). The ho khau system, imported from China, provides a basic system of identification (Hardy 2001). The abolition of the state subsidy system in the late 1980s has made individual movement possible because, even though registration is still mandatory, being unregistered no longer affects a person’s livelihood (Li Tana 1996).

While migration in search of work has increased under reform, the majority of jobs that became available over the 1990s were unstable and low-paying. While women moved from agricultural work to private-sector jobs or to the informal economy as street vendors, more men engaged in unstable blue-collar work, as rickshaw or motorbike drivers or in the private construction sector (see Fahey 1994, 1998; Le Hong Ha 1995; Tran Thi Que 1995). Those who worked in other private Vietnamese and state-owned factories were usually paid less. In comparison, work in a private multinational factory was relatively stable and better-paying, ranging from a minimum wage of US $45 to over US $300 a month in March 1999. Under the circumstances, the income earned in the multinational factory was crucial for the workers’ household economies. However, their incomes alone were not enough for the survival of their households.

Assessing the impacts of reforms initiated by Nike at a particular factory is complex. Ngai argued, in her case of a factory in China, that ‘the factory regime itself
is not a pyramid of power hierarchies, but a kaleidoscope of power and hierarchies, created by weaving identities of gender, kinship, ethnicity and rural–urban disparities’ (Ngai 1999). Similarly, at VX, there were multi-stranded relations based on the formal organization of work and the informal institutions of family and kinship. Furthermore, the workers’ social relations significantly intersected with other social divisions such as gender, age or generation and regional origin (see Li Tana 1996; Truong Si Anh et al. 1998). In general, older/male/local workers enjoyed better political economic conditions in factories than younger/female/immigrant workers (Chae 2003: 162). From my research, responses at Feng Tay’s VX depended in large extent on gender, education level, line position and place-of-origin status. A person’s status as either a local or migrant plays a large part in positioning him or her within and outside the factory. This status differentiation corresponds with the placement of the person in question in a greater social hierarchy in Vietnam, comprised of ‘insiders’ and ‘outsiders’.

In the context of social interactions of all types, Vietnamese people draw on notions of inside (noi) and outside (ngoai), which play a central role in Vietnamese conceptualizations of family and social relations (Jamieson 1986: 96, see Leshkowich 2000). The cultural notion of insider and outsider has a bearing on the outcomes of workers’ perceptions of their own power and their ability to initiate or respond to Nike’s proposed reforms. Insiders in this case come from nearby towns and villages in Dong Nai and many possess extensive local family ties. The outsiders are migrant workers with lower levels of education and experience and few local kinship networks, although many developed extensive networks with other migrants often from the same town or province of origin. These place-of-origin-based networks, known as ‘gossip networks’ among interviewees, were crucial for the exchange of employment information, for finding housing, and for arranging to remit money to their families in far away homelands, to name but a few of their functions. The farthest outsiders are those from the north and central regions followed by those drawn from nearby provinces from the Mekong region and others by way of Ho Chi Minh City.

Local-born workers, or insiders, have relatively better economic conditions, and their family members are employed and/or own property. Locals are able to spend some of their income and save a significant portion for their future. Some of these workers also have relatives living abroad (viet kieu) who often remit money to the workers’ families. In contrast, outsiders were often unmarried workers who migrated from other regions and who do not receive additional economic assistance (see Do Thi Binh 1997; Hoang Xuan Long 1997). Since most of the local women started in higher factory positions than outsiders, they worked in supervisory roles, line management, and data processing and had considerably more status than a basic line worker. The job in the Nike factory provided a stepping stone to white collar work for some and, for others, a good job with an average wage starting at US $75 a month. Aside from their local ties, these workers tend to enter the factory in higher positions because of their educational level, an indicator of their socio-economic status since subsidies were removed in 1986 under market reforms. Furthermore, because the majority live with parents or head their own households, their salaries are most often used as part of a family’s ‘income pool’, unless they were the main providers of their
household. Finally, local workers are easier to access by advocacy networks since most are housed in homes near the factory and have relatives from the United States or Australia who visit over the Vietnamese New Year (Tet) or maintain relations through email.

Most of the outsiders were from poor families with few social and political resources to utilize. Thus, young female migrant workers from poor families lived in more difficult economic conditions than any other segment of VX factory worker. These migrant workers comprise 43 per cent of labour at VX. The majority of these outsiders are from the central provinces, Thanh Hoa, Quang Binh and Nghe Tinh, are between 20 and 26 years of age, are single, have been employed at VX for a minimum of two years, and are sharing rented rooms from local families. Because of their usually lower educational levels, their monthly salary averaged US $55 in 2000, the minimum monthly wage for the province. On incomes of between US $47 and $55 for the first couple of years, these workers rent small rooms shared with three or four other workers, buy food, pay for their electricity and water, and cover other expenses like clothing, from a minimum of between US $15 and $20. Some even save between $13 and $15 a month to remit home, which is one reason for the disparity in lifestyles between local and non-local workers. Recent Nike-initiated reforms are not tailored to account for differences in status between insiders and outsiders, which stagger the effectiveness of labour and environmental reforms in a number of ways.

First, the way migrants are hired distinguishes them as outsiders, which often subjects them to unofficial fees. On the application form they must disclose their place of birth and residence, which positions workers as outsiders. The recruitment process differentiates workers from the outset. Over 10,000 workers are recruited through service centres in Dong Nai. Recruitment centres provide training and career placement for workers throughout Vietnam and are either privately run or operated by provincial authorities. These centres, located in every province, not only provide job listings for local and regional employment but also function as recruiters for work beyond the region. For example, in Nghe An province in central Vietnam, prospective employees are told of job opportunities in export-oriented zones in both North and South Vietnam. However, migrant workers are often charged unofficial fees for placement at foreign factories, as in the case of VX. Compounding this disadvantage, workers complained about middlemen who, for the equivalent of a few months’ salary, would arrange commissions by writing letters of recommendation and exercise influence in the screening process.

Second, outsiders are associated with having few or no local connections. This perception creates avenues for their exploitation. Returning to the problems of recruitment, migrant workers from VX claimed they have not received benefits since relocating to Dong Nai, such as training and access to housing and transport. Instead, the majority have to rent rooms privately from shopkeepers near VX who have built makeshift rooms behind their places of business.

Third, status as a migrant outsider is compounded by the fact that most come with no experience in shoe assembly. Such workers are labelled as ‘trainees’ at the factory and are paid lower wages for an initial period of about three months. Outsiders are also less likely to receive contracts, for they are hired as a reserve labour pool at VX.
Therefore, when production diminished in 1998, many outsiders were told not to return to work. On the other hand, because of their flexible, non-contractual status, outsiders are forced to work overtime when production is high, including weekends and holidays. Though this practice was eliminated when the Feng Tay management initiated a mandatory contract for all workers in 1998 and placed caps on overtime, this change has spawned other problems. With mandatory age limits at 18, many workers lost their jobs in 1998 and, with increased experience required for the job, many migrant workers in need of employment do not have the option to work at VX. Workers who were not dismissed in 1998 fear other potential lay-offs and being reduced to illicit activities for survival. Several outsiders interviewed used the justification of not wanting to have to resort to prostitution in Ho Chi Minh City as a reason for staying at VX.

Fourth, inside the factory, outsiders and insiders receive different treatment. One migrant worker argued that insiders were afforded more power because ‘managers have to be nicer with locals. If any terrible thing happens, they can quit and return home easily’ because of their local status. One worker described the reality for outsiders by stating, that: ‘The situation is more difficult for workers who are far away from their families. We have already left our homes, our villages. There is no choice for us. Maybe that is the reason why the foreign managers like to hire people from different faraway places; they can pay us lower salaries and we accept jobs more easily than locals.’ For this reason, migrant workers are disproportionately situated on lower-level areas of the line – less skilled sewing, assembly, material cutting and in the few areas remaining in the factory where toxic adhesives have not been replaced by water-based adhesives.

Last, because of the insiders’ ability to connect with local, regional and global consumer movements aimed at improving the conditions for workers in factories, the majority of reforms tend to target their needs. For example, one house along the road a kilometre from the factory also serves as a family-run shop selling imitation Nike shoes. The shop owner’s daughter also works at VX assembling authentic Nikes to earn income for the household. Migrant workers, outsiders in the area, lived in make-shift rooms behind the shop and paid five US dollars (in 2000) to the factory worker’s family. Furthermore, the daughter, an insider at VX, benefited from additional educational courses offered at night, which the outsiders could not attend because they conflicted with their schedules. This worker commented that she had met a few local reporters and foreigners who came to the shop asking about the factory. She claimed that she told them negative stories about her experience because she would rather be running her own restaurant. I enquired whether the migrant workers they housed at the back talked with these same visitors. To this question, she smiled and indicated that that would not be a good idea because they are housed unofficially and she would not want the local authorities to fine her parents.

Local workers also have ease of access to communication outlets and to those beyond the factory, town, province and even country. Whereas migrants have to write letters, rely on gossip networks, or pay to make phone calls from a post office, locals often have access to telephones and the Internet at their places of residence or nearby business. For example, one worker emailed her Viet Kieu relatives in New York and
Los Angeles on a weekly basis because her mother ran a café that had computers with Internet access. Cybercafés are often part of small restaurants in Vietnam. These micro businesses are frequently in the front room of a family’s residence, where many businesses take place under one roof. In this case, the worker’s home served as a small restaurant, cybercafé, antique inlay furniture shop and guesthouse.

In sum, different conditions for labour exist within the same factory, a reality that mediates the impact of intended reforms. Not only are reforms more likely to improve conditions for insiders because of their relatively better-off position both within and beyond the factory gates, but outsiders are constrained by problematic conditions beyond the power of Nike and its contractors to remedy, such as in the case of abusive recruiters. These findings indicate the need to assess complex place-based labour conditions more carefully so that reforms to improve conditions for these different groups of workers can be better tailored. The insider/outside example of workers situated at VX, provides a salient reason why linking missed elements of commodity chain analyses provides a framework for a more nuanced investigation of changes occurring along global firm networks.

**Coming full circle? Linking production and consumption analyses and Nike**

The case studies raise three main points. First, the different ways in which commodity chains are embedded mediate changes along Nike integrated production networks. The Nike case study shows how a plethora of agents with asymmetrical power and influence can transform bounded business networks. The powerful feedback loop that exists between labour concerns in the field and consumer perceptions of them has not been adequately considered in existing commodity chain studies. When we link local labour, as in the case of Vietnam, with consumer networking at other sites of the commodity chain, the power of an integrated commodity chain approach becomes clear. Transnational consumer advocacy groups used problematic labour incidents at sites of production to associate Nike with sweatshop labour. In an attempt to repair its image, crucial for brand-name marketers, Nike introduced a restructuring programme and a new labour and environmental vision that it requires of its contract manufacturers, redefining the contractual relationship between buyers and sellers of footwear.

Second, localized labour and labour activism mediate consumer-based reforms along Nike integrated production networks. Labour-based differences in places that house Nike-affiliated factories mediate reforms along Nike integrated production networks. Based on a case study of Feng Tay’s labour regime at its VX factory in Dong Nai, Vietnam, labour does not represent a coherent group. Outsider and insider status differentiate workers in this case. Outsiders have lower line positions and fewer if any local resident connections. They have to pay recruitment fees for jobs, receive lower training wages and use their incomes for basic livelihood and to save to remit home. Insiders have local ties, are better educated, earn higher salaries, are placed in better positions along the line, and use their wages as supplemental because they have access to external income. Determining a suitable wage is complicated by different types of workers being embedded in different social networks of support. A worker’s status also exposes him or her to different jobs and risk factors within the factory.
wider political and economic context in which workers are situated also allows certain workers to ‘speak out’ while others remain marginalized, thus funnelling the information that consumer activists receive about problematic work conditions. Furthermore, certain place-based conditions that adversely affect workers are beyond the scope of Nike’s reforms, such as the ‘unofficial’ fees exacted by job recruiters. These examples have important implications for consumer activism. Certainly, these nuances exist among workers on other Feng Tay manufacturing sites, as well as in plants that other contractors own, thus complicating the ability to assess the effectiveness of corporate responses to consumer activism.

Third, feedback loops create impacts along commodity chains. Perhaps more significant in this case has been the ability of labour to connect with international groups concerned with workers’ rights and the social effects of globalization. Labour conditions are no longer local concerns to be resolved by local workers negotiating with immense transnational corporations. Furthermore, with the international extent of working conditions, corporate image can become a factor in consumer buying patterns. This presents commodity chain approaches with a dimension not previously considered – the powerful feedback loops that exist between labour concerns in the field and consumer perceptions of them. Therefore, in order to assess the impact of these extensive changes on integrated production networks, more thorough investigations are required – of the contractors, of the firm’s organizations, of the regions in which they converge and of the conditions of their localized labour.

What should be particularly notable about this integrative approach is how it raises the level of information available for all agents affiliated to integrated production networks. For example, consumer groups currently challenge Nike to improve conditions in athletic footwear factories with little or no knowledge of Nike’s contracting networks, locations of factories, place-specific conditions and the varied experiences of the workers they aim to assist. For instance, a better understanding of differences among workers, including factors such as those stemming from their status as either local or migrant in Vietnam, would greatly inform attempts to advance a ‘living wage’. Furthermore, if consumer groups were better informed of the complexities of Nike’s integrated production networks, they might better understand areas where reform has taken place and where further changes are needed. In addition, if Nike and its contractors had a better understanding of the interrelationships along their own production chains, they too could be more responsive to restructuring their own relations and meeting consumer–labour demands.

Conclusions: walking in circles?

Answering the question ‘Should I be wearing Nike shoes?’ requires an integrated commodity chain approach capable of examining interrelationships between the people, products, places and spaces associated with Nike’s integrated production networks. Bringing relations ‘full circle’, in this article I show how understanding local (labour regimes in Vietnam) and global (anti-Nike transnational advocacy network) challenges to the organization of production are resulting in altered business networks. Included in the discussion are ways consumer-induced reforms are
mediated by a number of factors, including geographical configurations of commodity chains, place-based policies and localized labour relations.

Considering the geography of the chain, linking consumption and production analyses and considering how changes along commodity chains are mediated provides the means necessary for addressing missed linkages in commodity chain studies. In this way, the approach used here can uncover powerful forces that shape transnational integrated production networks, providing a more thorough investigation of firm networks, their commodity chains, regions where they interact, labour regimes upon which they depend, and the consumers who influence their behaviour.

These changes, however, are mediated by the interrelationships that emerge from integrated analyses of Nike’s integrated production networks. Reforms are mediated by the fact that business networks and commodity chains traverse geographical scales. Reforms are mediated by the different ways in which firms that exist under Nike’s umbrella are organized, including the embeddedness of contractors’ subsidiaries in a variety of local and regional contexts. Reforms are mediated by the variety of corporate cultures and power relations that determine how networking occurs in different places. Some aspects of business networks resistant to change, such as corporate culture, mediate reforms. Reforms are mediated by the reinterpretation of national and regional policies by local leaders at sites of production. And reforms are mediated by the fact that different conditions for labour exist within the same factories.

Therefore, Nike’s global production chains cannot be examined in isolation. Understanding fundamentally how Nike and its long-term contracting relationships are constructed must go beyond network studies that seek only to uncover control and the exercise of power between a brand-name marketer and athletic footwear manufacturers along what are perceived as unidirectional commodity chains. This project considers the diversity of other affiliated actors, including subassembly subcontractors, their subsidiaries, different labour regimes in various cultural contexts, and transnational consumer movements, their interrelationships and their varied impacts on overall production chains, to comprehend the layers of social interaction, the geographical links between them, and the potential for change along global business networks. In sum, we cannot adequately understand the impact of reforms along Nike’s integrated production networks until we examine, simultaneously, the ways in which the social contexts in which companies are embedded mediate changes occurring along their commodity chains. These examples of missed linkages in commodity chain studies have important implications for consumer activism and, hence, the need to bring relations along commodity chains ‘full circle’.

Jessica Rothenberg-Aalami

Berkeley Roundtable on the International Economy
University of California, at Berkeley
2808 Garber Street
Berkeley, CA 94705
USA
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Notes

1. Empirical findings stem from dissertation research conducted between 1997 and 2000. The study draws on a review of the relevant literature and theory, published and unpublished data, and original research in the form of case study analysis, multiple field investigations, management and labour field interviews and qualitative surveys. Interviews and site visits spanned Nike headquarters in Beaverton, Oregon, sites in Taiwan, China, Indonesia, Thailand and southern Vietnam. This study was made possible through official authorization by Nike to enter factories and interview relevant managers and employees as well as independent research conducted as an assistant director of a field school to Vietnam between 1995 and 2000. Please refer to unpublished dissertation (Rothenberg-Aalami 2002).
2. In relation to this article and within economic geography, network approaches have recently been employed to explore the specific organization of firms and networks, their embeddedness in social relations, and the geographical outcomes of networking among them, including implications for regional development (Bartlett and Ghoshal 1989; Clark 1994; Dicken 1998; Grabher 1993; Granovetter 1985; Henderson et al. 2002; Nohria 1997; Storper 1992, 1997; Yeung 1998, 2000).
3. Vietnam Labor Watch (VLW) reports focused on minimum wage and overtime violations. One VLW report, based on a 16-day inspection of four Nike manufacturing plants in Vietnam, stated that over 90 per cent of the 35,000 workers, the vast majority women, worked an average of 12-hour days, in poorly ventilated, overheated rooms. This report argued that workers did not receive adequate pay – on average $1.60 for an eight-hour day (VLW 1997).
5. The region is so-named because the majority of businesses are involved in footwear research and development, component production (for example trims), and the manufacture of lasts (the shoe-forming component), leaving mass production the responsibility of their overseas subsidiaries. The majority of producers are small and medium-size firms of fewer than 100 workers in contrast with Nike producers, Feng Tay and Pou Chen. In 1986, more than 30 per cent of Taiwanese shoe factories had fewer than 50 workers. More than half of all factories hired fewer than 100 workers. Only 30 factories employed more than 300 workers (Hsing 1998: 44).
6. Personal communication with workshop director in Beaverton, OR, 1999.
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