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STRUGGLING TO BE A GOOD GLOBAL CITIZEN NIKE OFFERS EXAMPLE OF HOW RESPONSIBILITY IS AN OPEN- ENDED QUEST

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Multinational corporations are experts at the global "race to the bottom," a contest of sorts to move manufacturing to countries with low wages, and lax labor and environmental standards.

Global outsourcing of virtually everything we buy is delivering both cheap products and disturbing information about the conditions under which these goods are made. The Mercury News' recent series on the computer industry showed that U.S. high-technology companies, often considered a "clean" industry, are causing significant adverse environmental and social impacts in Asia.

Efforts are afoot, however, to reverse the current dynamics of global competition by turning it into a race upward that spreads the gains of globalization and improves environmental and working conditions. The experiences of Nike, the world's leading shoe manufacturer, show the challenges and financial trade-offs of this movement, and illustrate how the road to corporate responsibility has no finish line.

Nike has long been the focus of international campaigns -- beginning with exposés of its Indonesian factories 10 years ago -- regarding sweatshop conditions, low wages and hazardous work environments. Nike has responded with a range of programs and policies for controlling and improving conditions in the factories that produce its goods.

But Nike's experiences highlight that making products and processes a little less bad, or setting up systems to catch the worst offenses in a global production chain, will not address many of the key concerns of workers, environmentalists and local communities. Companies are being asked to go beyond voluntary codes and monitoring systems, to support real changes in global production networks and real mechanisms for consumers to evaluate their performance.

Consumers are increasingly concerned about the adverse impacts of global production. Surveys conducted by Marymount University and the University of Maryland, for example, show that more than 80 percent of U.S. consumers say they are willing to pay more for products that are made under "good" conditions. Seventy-five percent report feeling a moral obligation to help improve workers' conditions, and more than 90 percent agree that countries should be required to maintain minimum standards for working conditions.

Corporate response

Companies are responding to these concerns and pressures with practices loosely labeled Corporate Social Responsibility. Ninety percent of corporate executives reported in a survey conducted by PricewaterhouseCoopers that they have been taking action to "protect their reputations" through responsibility initiatives.

Oregon-based Nike was one of the first companies in the apparel industry to establish a code of conduct on labor and environmental practices for its network of suppliers -- now about 900 factories around the world employing more than 650,000 workers. The document sets out minimum age and wage requirements, for example, as well as environmental standards in such areas as wastewater treatment.

Compliance with Nike's code is monitored through a program of internal evaluation conducted by Nike staff and reviewed by external accounting and consulting firms. Nike now has more than 80 employees monitoring labor and environmental conditions in its contractors' factories.

Nike has developed internal monitoring tools that allow the company to integrate labor and environmental performance into its evaluation of suppliers and has created incentives for suppliers to improve conditions.

Reebok, Adidas, Timberland and other prominent footwear and apparel firms have established similar programs that combine codes of conduct, internal assessments and audits by consulting firms.

Nike also has joined a number of international initiatives that include governments, companies and non-governmental organizations to monitor and certify compliance with its code of conduct. Nike is a founding member of the Fair Labor Association, a Clinton administration initiative to support global monitoring of labor

conditions. Nike is also a participant in the United Nations' Global Compact -- a voluntary program to promote corporate social responsibility -- and the Global Reporting Initiative, a new voluntary standard for social reporting.

Nike has taken steps to redesign its products and processes to reduce their environmental burden and the exposure of workers to toxics. The company is phasing out the use of toxic glues and solvents, is advancing a major program to make the transition to organic cotton in its apparel and has been developing a product-recycling program.

Despite these initiatives, Nike remains one of the central targets of the anti-sweatshop movement. Non-governmental organizations, many college students and many average citizens still associate Nike with sweatshop conditions in its factories.

Human rights groups such as the New York-based National Labor Committee, Press for Change of New Jersey and San Francisco-based Global Exchange argue that Nike's efforts to date have been attempts at public relations and damage control rather than addressing root problems.

Non-governmental groups do not trust Nike or the accounting firms it hires to faithfully monitor its factories. These critics say Nike's social-responsibility initiatives have not addressed the central problems of its supply chains: the use of factories that suppress workers' rights to form unions and that pay below-subsistence wages.

As one Malaysia-based group, the Third World Network, has charged, Nike remains ``an international symbol of sweatshops" and ``a leader in the `race to the bottom.' "

After years of activist exposés and company responses, Nike CEO Phil Knight and his top staff now seem to realize that they must do more than sign on to voluntary codes of conduct or promise to police themselves. In the long term, the prospect of continued tarnishing of Nike's extremely valuable brand is motivation for action.

At the same time, Nike says that if it were the only company to follow the activists' demands, it would lose its competitive advantage.

It is difficult to judge whether Nike has improved and whether it is a ``socially responsible" company now. No publicly credible measures of corporate social responsibility exist.

And enough socially responsible work to date has been public relations or largely peripheral to the real impacts of a company's supply chain (consider oil companies touting tree-planting or paper-recycling programs), that the public is skeptical of corporate claims.

Advocacy groups around the world are pushing U.S. companies to be more open about their production systems and to engage the workers and communities most directly affected by this production. Human rights and labor rights groups argue that companies should work to ensure the rights of workers to freely associate (i.e. form unions) and to collectively bargain for their wages and working conditions.

Nike and other brand-name firms are now being held to this higher standard.

Nonetheless, today it is still virtually impossible for consumers to differentiate between Nike's performance on labor issues and Reebok's or Adidas' or Wal-Mart's. Consumers similarly cannot compare IBM's performance on environmental issues with Dell's or HP's or with a low-cost PC clone maker's.

Consumers do, however, have latent power to drive a ``race to the top."''

Imagine yourself at the mall trying to decide between two similar pairs of shoes. What if the shoes' labels told you not just the country, but the actual factory where they were made? What if the label told you the average wage of the factory's workers, and whether or not the workers were free to organize a union?

What if you could simply point your Palm or cell phone at a label and pull down real-time information from the Web about a product's environmental impacts -- and how a respected non-governmental organization rated the producer's relative performance?

Knowledge and choices

Customers -- not all, but enough of them -- might start buying products made in better conditions. Some customers might favor products made in union factories; others might prefer products made without polluting the environment.

Brands and retailers could in turn use this information to create a race to the top among subcontracting factories. Brands like Nike could identify the best producers in a specific country. And factories could begin to differentiate themselves -- not just by which is cheapest, but also by how they treat the environment and workers.

New movements for "fair trade" products and consumer labeling are demanding exactly these kinds of measures of performance.

These new systems of disclosure, comparison and competition hold the potential to complement, not replace, government regulation of industries, and to begin the process of moving global companies toward a higher standard.

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