Managing Global Guilt and Local Norms
Governance in the Sri Lankan Clothing Industry

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ABSTRACT

ANNELIES M. GOGER: Managing Global Guilt and Local Norms: Governance in the Sri Lankan Clothing Industry
(Under the direction of John Pickles)

This dissertation examines how multiple forms of governance shape ethical production in Sri Lankan clothing supply chains. With multi-sited research in Sri Lanka, the United States, and Europe, it foregrounds how mid-level managers, as embodied subjects in clothing supply chains, conceptualize and practice ethical trade as they navigate demands to be globally competitive, comply with global standards, and respect local ethical norms. I found that the Sri Lankan apparel industry’s attempts to promote ethical manufacturing have led to mixed and uneven effects, meaning that the results did not straightforwardly confirm the hypothesis in the global value chain literature that private governance and industrial upgrading lead to global competitiveness and enhanced wellbeing. Because a series of mediating factors have shaped how the ethical initiatives played out in Sri Lanka, I argue for a more de-centered theory of governance that is attentive to multiple fields of power and forms of struggle occurring through GPNs. I also argue for a sustained critical engagement with the concept of upgrading and its effects on social and economic worlds.

This project makes three key contributions to broader debates about globalization. First, it draws on feminist methods and critical policy studies to promote a deeper engagement between the commodity chains literatures and relational economic
geography. This is important because the global value chain framework is increasingly
 gaining currency in mainstream development institutions, but there is also growing
criticism about the foundational concepts of governance and upgrading in this
framework. Second, I focus on the role of management knowledges and practices in
processes of upgrading. Managers are situated at the nexus of global-local power
relations and yet very little is understood about how ethical concerns are prioritized,
adapted, and contested (or not) through everyday management cultures and practices.
My third contribution is to challenge conceptualizations of ethical production that are
fixed and binary, such as the assumption that there is an easy answer to questions like,
“Was this t-shirt ethically made?” Instead, I reframe ethical initiatives as processes that
are ongoing, embodied, and shaped by relations of dominance and subordination at
multiple scales.
To Opa, Dirk Tump, for introducing me to the life of the mind,

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LIST OF ABBREVIATIONS

200 GFP – 200 Garment Factories Programme

BSR – Business for Social Responsibility

CEO – Chief Executive Officer

CMT – Cut, Make, Trim (assembly operations)

CSR – Corporate Social Responsibility

DNA - DeoxyriboNucleic Acid

ETI – Ethical Trading Initiative

EPZ – Export Processing Zone

EU – European Union

EU-15 – A subset of European Union countries that includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom

FIP – Factory Improvement Program

GCC – Global Commodity Chain

GPN – Global Production Network

GSP – Generalized System of Preferences

GVC – Global Value Chain

GWG – Garments Without Guilt

HS – Harmonized System Codes

IFC – International Finance Corporation

ILO – International Labor Organization

ISI – Import Substitution Industrialization

JAAF – Joint Apparel Association Forum

LTTE – Liberation Tigers of Tamil Eelam
M&S – Marks and Spencer
MFA – Multi-Fibre Arrangement
NGO – Non-Governmental Organization
OEM – Original Equipment Manufacturing
SAARC - South Asian Association for Regional Cooperation
SITC – Standard International Trade Classification
SME – Small and Medium-Sized Enterprises
UK – United Kingdom
UN – United Nations
US – United States
CHAPTER ONE:

Introduction

For over three decades now, globalization has been a central problematic in economic geography and a dominant way of conceptualizing processes of economic change (Dicken, 2007). The distinctive features of the “neo-liberal” era of globalization from the late 1970s-forward included the dissemination of new communication technologies, a shift from mass production (Fordism) to flexible production (post-Fordism), the global integration of finance capital and banking systems, and the rise of the World Factory (Castells, 1996; Harvey, 1989; McMichael, 2008; Piore and Sabel, 1984). Although some portray globalization as a homogenizing, totalizing force, such as Harvey’s notion of time-space compression (1989), others emphasize its unevenness, relationality, and heterogeneity (Dicken, 2007; Massey, 1984; Ong, 2006). One general aim of this dissertation is to begin to forge connections between these understandings of globalization (Nagar, et al., 2002).

Alongside globalization processes, the hegemonic approach to development policy has changed from a focus on state-led import substitution models to market-led, export-oriented competitiveness strategies (McMichael, 2008). Peck (2002) and Jessop (1999) characterize these changes in governance as a “rolling-back” of the Keynesian/Fordist welfare state and the “rolling-forward” of the neoliberal/supply side state that has less protections for labor and public goods. After dramatic phases of industrial restructuring and structural adjustment in the 1980s and 1990s, critics
questioned the wisdom of pro-globalization, “free trade” policies and were particularly concerned about what they saw as the declining institutional mechanisms for regulating capital (Dicken, 2007), commonly framed as a “governance deficit” problem (Gereffi and Mayer, 2006) or the “race-to-the-bottom” (Appelbaum, et al., 2005).

The clothing industry has been at the forefront of these debates about global governance failures. In the mid-1990s, consumer groups and labor unions publicized widespread abuses in apparel global commodity chains (GCCs), the globally dispersed but functionally coordinated networks of firms that produce goods for final consumption (Gereffi, 1994). This marked the apparel industry with a reputation for practices such as long hours of work, unsafe working conditions, child labor, and unstable employment. This was the beginning of the ethical trade movement, largely based in the United States (US) and European Union (EU). In response, major clothing brands (“buyers”), multi-stakeholder groups, and third-party organizations began to implement various universal compliance codes and monitoring systems—herein called “compliance” (Esbenshade, 2004; O’Rourke, 2003; Pearson and Seyfang, 2001). These private, voluntary compliance systems aimed to “raise the floor” to promote universal labor and environmental standards. However, growing evidence suggests that compliance has been moderately effective, at best (Barrientos and Smith, 2007; Esbenshade, 2004; Jenkins, 2001; O’Rourke, 2003). Therefore, many activist groups and academics have asserted that monitoring alone is insufficiently effective to address the root causes of non-compliance

1 In the more recent literature, it is more common to refer to these networks of firms as global value chains (GVCs) or global production networks (GPNs), for reasons that I discuss later in this chapter. I use GCCs in this instance because this was the common terminology at the time. At times, I will also refer to “commodity chain literatures,” which is an umbrella term for these related approaches.
(Barrientos and Smith, 2007; Esbenshade, 2004; Hale, 2000; Nadvi, 2008; O’Rourke, 2003). Many place the blame on the lack of mechanisms for global institutional authority, the failures of buyers to incentivize compliance sufficiently and of producers (“suppliers”) that cut corners and squeeze\(^2\) labor in order to compete or even survive.

By the early 2000s, the Sri Lankan garment industry had a reputation among buyers for being a more ethical apparel producing country (JAAF, 2002). This reputation was largely built on the basis that child labor was against local norms (so it was virtually non-existent) and relatively strong national legislation for protecting the International Labor Organization (ILO) Core Labor Standards (Ruwanpura and Wrigley, 2011; Sivananthiran, 2009). Therefore, when the phase-out of the Multi-Fibre Agreement (MFA) quota system loomed on the horizon, Sri Lankan industry associations determined that one of their main competitiveness strategies would be to market the country as an ethical sourcing destination for apparel (JAAF, 2002). They created a branding initiative called Garments Without Guilt (GWG), which included a certification scheme audited by a third-party, a charter, a set of principles, a series of specific firm-based corporate social responsibility (CSR) programs, and a public relations campaign (funded by the industry and the Sri Lankan government). The industry leaders hoped that Sri Lanka could establish a niche for ethical production; thereby, attracting more orders from high-end, image-conscious buyers. In other words, under intensifying competitive pressures from quota phase-out they sought to pursue a “high road” strategy, meaning they intentionally wanted to stay competitive by racing-to-the-top (instead of the bottom). This

\(^2\) Squeezing is the buying practice of asking suppliers to improve compliance while pressuring them for a lower price and/or threatening divestment.
is commonly called “upgrading,” or increasing global competitiveness by capturing a higher share of value at the firm or sector level or enhancing market position (Gereffi, 1999).

Having an industry-led ethical trade initiative like this is quite rare (with a few exceptions such as Morocco, Rossi, 2013), because it is often hard to get suppliers to buy into the notion that being more ethical can promote competitiveness. Moreover, suppliers are not very involved in setting ethical and fair trade agendas (Raynolds, Murray and Wilkinson, 2007). They are often considered standards takers, not standards setters (Nadvi, 2008). Therefore, the Sri Lankan case allows an examination of the difference it makes to have suppliers involved and actively engaged in debates that are essentially about changing supplier behaviors. How might centering the analysis on suppliers—as an assemblage of embodied subjects involved in the everyday management of production—challenge us to think about governance, upgrading, and ethical trade in global production networks (GPNs) in new and more nuanced ways?

I consider the continued absence of involvement from suppliers in ethical trade debates as symptomatic of a larger problem with how global governance and upgrading are conceptualized in the literature on economic globalization and value chains. I am not suggesting that that exploitative supplier behaviors and bad management don’t exist. Rather, I start from the premise that framing the problem as a governance deficit and promoting upgrading as a technical fix downplays the complex politics that occur through global value chains (GVCs). What is at stake here is that this framing of governance as an absence of authority, or “vacuum,” downplays multi-scalar dynamics of power and mobility—or power-geometries. Power-geometries refer to how economic relations are
mediated through geographies of social difference and multiple fields of power (Massey, 1993, 1994).

The overarching question of this dissertation is: how are power-geometries at multiple scales shaping conceptions and practices of ethical production in Sri Lankan clothing supply chains? Basically, this is a question about governance, ethico-politics, and the creation and distribution of value in GVCs/GPNs. I used ethnography, elite network interviews, participant observation, and discourse analysis to study ethical governance and upgrading processes through the middle of GVCs that span from Europe and the US into Sri Lanka. In particular, I am attentive to how ideas of “better” management travel and encounter moments of friction through supply chains, the processes by which they are adapted and legitimated, and their effect on supplier competitiveness. My research was multi-sited, investigating apparel buyers and ethical trade institutions in Europe and the United States and in the Sri Lankan export-oriented apparel sector.

There are three key objectives in this dissertation. The first is to draw on feminist methods and critical policy studies to promote a deeper engagement between the commodity chain literatures and relational economic geographies. This is important because the commodity chain literatures are increasingly gaining currency in mainstream development institutions, but as this happens there is also growing debate about the conceptual limitations of governance and upgrading in these approaches (Selwyn, 2013; Tokatli, 2012). The second objective is to foreground the role of management knowledges, practices, and subjectivities in processes of social and economic upgrading, because managers are situated at the nexus of global-local power relations and yet very
little is understood about how ethical concerns are prioritized, adapted, and contested (or not) through everyday management cultures and practices.

The third and final objective is to challenge conceptualizations of ethical production that are fixed and binary, such as the common but self-serving assumption that there can be easy answers to questions like, “Was this t-shirt ethically made or not?” Instead I draw on the feminist and relational geography literature to reframe ethical initiatives as processes that are ongoing, embodied, and shaped by “unstable spatialities” of dominance and subordination at multiple scales (Chari, 2004). In order to draw out “the power-geometry of it all” (Massey, 1993: 62), the core chapters are comprised of specific case studies that analyze governance relations in ethical initiatives from three different perspectives: the organization of the industry sector (Chapter Four), buyer-supplier relations (Chapter Five), and manager-worker relations (Chapter Six). In this way, I unpack how managers, positioned between consumer guilt about their complex, multi-scalar politics of ethical trade, upgrading, and competitiveness.

I found that the Sri Lankan apparel industry’s attempts to be more ethical and adopt “better” management have led to mixed and uneven effects. Nevertheless, the case studies show that new logics and practices of private governance are emerging in Sri Lankan GVCs that do not fit neatly into what we would expect based on existing theories of governance and upgrading—that upgrading and ethical trade lead to competitiveness and improved well-being. This introduction lays out the theoretical frameworks that I draw upon in this study in order to situate my interventions in the literature. Section 1.1 explains my justification for researching the apparel industry in Sri Lanka. Then, in the theoretical framework section, I provide more detail about how I am engaging with the
commodity chains literatures, economic geography, and feminist industrial ethnographies. Subsequently, I turn to the key concepts of governance and upgrading to more clearly articulate my interventions with regard to the debates about them in the commodity chains literatures. In Section 1.4, I explain my research methods and challenges in detail. Finally, I conclude with an outline of chapters.

1.1 Why apparel, and why Sri Lanka?

I chose the apparel industry for several reasons. Because the apparel industry is a labor-intensive sector that has relatively low start-up costs, it was among the first industries to globalize with the rise of neoliberal, export-oriented development policies starting in the late 1970s. The clothing industry is historically considered a jump-start industry for industrialization in low-income countries (Fernandez-Stark, et al., 2011; Gereffi and Memedovic, 2003). As a result, the apparel industry often figures prominently in struggles over rapid social change and national debates what it means to become “modern” (Hewamanne, 2008; Lynch, 2007; Mills, 1999). This means that the apparel industry is an industry in which novel ethical trade initiatives frequently originate. At the same time, in major consumer markets the clothing industry is a poster child for “backwardness” and the failures of global governance, because the industry has been marked by international scandals over problems such as child labor, excessive overtime, and other forms of exploitation. In these ways, apparel is an extremely important industry for understanding questions about globalization, development, modernization, ethical trade, and global governance.

Second, apparel GVCs are rife with power differentials. It is the quintessential buyer-driven value chain, meaning that buyers (rather than producers) control market
access and coordinate globally geographically dispersed production networks (Gereffi, 1994), but at the same time suppliers employ an overwhelmingly young, female workforce who are frequently migrant laborers. In addition, apparel supply chains are typically long and complex, with many layers of suppliers and management. These complex power relations make apparel especially well suited for studying how global power dynamics within firm networks shape industrialization and regional development processes. Although there is a substantial literature on ethical trade in the apparel industry to draw from (across multiple disciplines), the problems of ethical trade continue to haunt the sector. For this reason, the apparel industry occupies a front-and-center position in social movements and popular debates about ethical trade.

There are several reasons why Sri Lankan apparel industry is an excellent case for the purposes of understanding upgrading processes, governance, and ethical trade. First, it provides a test of the hypotheses of the GVC/GPN literature about the potential for upgrading to increase competitiveness and bring about regional development (Gereffi, 1995; Barrientos, Mayer, et al., 2011). Sri Lankan apparel producers not only crafted a competitiveness strategy around the ethical niche to survive quota phase-out; but also, the JAAF decided to pursue a variety of industrial upgrading strategies and to develop Sri Lanka’s capacity as a regional hub for apparel sourcing. This strategic, industry-led effort to pursue both economic and social upgrading makes Sri Lanka a compelling place to investigate how “better” management practices affected the workplace, industrial organization, and global competitiveness of Sri Lankan suppliers.

Second, within Sri Lanka, the garment industry has a long-standing reputation for being unethical. Female garment workers have been portrayed in popular media and
political debates as promiscuous and a threat to Sri Lankan values (Hewamanne, 2008; Lynch, 2007; Shaw, 2004). Because apparel companies produce many bras and underwear for export markets and due to the colonial legacy, “Western” capital is often viewed as morally corrupting. In addition, the rise of female participation in the labor force upon trade liberalization represented a change from the previous roles for women, which positioned female garment workers as popular icons of these changes (Jayaweera, 2003; Lynch, 2007). In the context of a shortage of skilled labor, which the industry needed in order to pursue its upgrading goals, it has been necessary for the industry to respond to this domestic reputation problem to recruit and retain workers. In this way, strong local and national articulations of ethical concern influenced the way that managers conceptualized and prioritized ethical initiatives, especially in rural and semi-rural factories. Therefore, a tighter labor market and state-led rural industrialization policies in Sri Lanka can contribute to a greater understanding of how local norms and authority structures shape firm practices within GVCs/GPNs. Foregrounding the emergence of “better” management within more ethical supply chains in Sri Lanka brings these ethico-political struggles into sharper relief.

1.2 Theoretical framework

This dissertation engages broadly with questions about globalization, governance, expertise, and uneven development (Dicken, 2007; Harvey, 1989; Mitchell, 2002). More

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3 A comprehensive review of the literature on globalization and industrial restructuring processes is beyond the scope of this chapter, because it spans multiple disciplines and is extremely vast in volume and scope. For notable contributions in economic geography, see Amin & Thrift, 2000; Barnes, 1996; Dicken, 2007; Gibson-Graham, 2006; Harvey, 1989; Harvey, 2005; Massey, 1984; Peck, 2000; Smith, 1984; Storper, 1997.
specifically, this study contributes to the commodity chains literatures in economic geography and economic sociology (Coe, et al., 2004; Gereffi, 1994; Gereffi, et al., 2005); however, it draws on feminist and economic geography to advance a more relational conceptualization of governance in the economic globalization literatures. This section reviews the contributions and criticisms of the commodity chains literatures, with an emphasis on how the foundational concepts of governance and upgrading are connected to debates about ethical trade. Then, I turn to relational economic geography, considering how the concepts of power geometries, policy mobilities, and dis/articulations inform debates about governance in GCCs/GPNs. Finally, I draw on feminist industrial ethnographies to conceptualize supply chain governance as an embodied, everyday process of struggle over the creation and distribution of value. With this literature, I make the case for foregrounding mid-level managers as critical but understudied actors who shape the representational, ideological, and concrete spaces of production at multiple scales.

1.2.1 Global commodity chains, value chains, and production networks

The GCC framework emerged in the mid-1990s, building from World Systems theory and Michael Porter’s work on global competitiveness (Wallerstein, 1976; Gereffi, 1994; Porter, 1990). This framework has made important contributions to understanding globalization processes. One of the most salient contributions was to shift the unit of analysis in development studies from the nation state to the inter-firm, cross-border

4 A detailed review of the debates between GCC, GVC, and GPN advocates is not within the scope of this chapter, so they are summarized rather crudely here. For a more thorough review, see Bair, 2008 and Bair, 2009.
linkages that form to produce commodities. Another important contribution was to enable an analysis of sector-specific, meso-level case studies within and between countries, rather than folding all industry sectors into macro-level analysis (Gereffi and Memedovic, 2003). With these interventions, GCC scholars sought to understand the conditions under which insertion into global commodity trade circuits contribute to broad-based regional development (Gereffi, 1995).

**Figure 1: Global Value Chains**
In the early 2000s, prominent GCC scholars shifted to using the GVC framework to take attention away from products and toward value-added as a key driving mechanism of competitiveness (see Figure 1; Sturgeon, 2009). The theory of value chain governance was revised to put transaction costs at the center of the analysis and assert that the governance model operationalized in a value chain depends on the complexity of information needed to complete transactions, the codifiability of knowledge used in transactions, and the fit between the capability of suppliers and needs of the lead firms (Gereffi, et al., 2005). Although this enabled the framework to incorporate a wider array of industry sectors than the GCC approach, it also restricted the scope to focus primarily on inter-firm governance between lead firms and first tier suppliers (Bair, 2009; Gereffi, et al., 2005).

The foundational concepts of governance and upgrading in the GVC literature are based on the proposition that a “high road” development trajectory is possible, in contrast to the “low road” of downgrading—chasing the lowest costs and least regulation to be globally competitive (see Figure 2). In the high road trajectory, governance from lead firms in GVCs stimulates organizational learning and global competitiveness among suppliers, which in turn generate “inclusive” regional economic growth that enhances the well-being of firms, workers, and society as a whole (Gereffi, 1995; Bair, 2005; Gereffi, et al., 2005; Gibbon, et al., 2008). By contrast, in the low road trajectory, firm efforts to achieve competitiveness by squeezing workers or cutting other corners may benefit individual firms or capitalists but fail to trigger widespread economic development—a phenomenon Kaplinsky (1998) calls “immiserating growth.” This high/low road distinction is inspired by new institutional economics, which posited that capitalism can
bring about mutually beneficial outcomes for capital and labor given the “right” institutional framework (Selwyn, 2013).

**Figure 2: The Upgrading Hypothesis in Global Value Chains Research**

Although the GVC framework has been increasingly incorporated into mainstream development institutions, critical perspectives on GVCs have come from various angles. Some argue that it treats the firm like a “black box,” missing the internal struggles and everyday activities of individual actors (Coe, Dicken and Hess, 2008; Hess, 2008). Many also contend that the GVC framework insufficiently incorporates the role of labor and the state, treating them as passive recipients of firm actions rather than as influential agents in their own right (Carswell and De Neve, 2013; Coe and Jordhus-Lier, 2008).

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5 The literature on GVCs is vast, and for the sake of brevity only the most common and relevant critiques for this study are summarized here. For a comprehensive review, see Bair, 2005).
In an effort to avoid some these and other problems they saw with the GCC/GVC frameworks, a group of scholars in economic geography promoted an alternative framework using the terminology of GPN. Drawing from the “cultural turn” in economic geography, they attempted to theorize the broader, relational dynamics of economic globalization in the GPN framework (Coe, et al., 2004; Dicken, et al., 2001; Henderson, et al., 2002; MacKinnon, 2012). They describe two key differences between GCC/GVC and GPN approaches. First, GCC/GVC researchers utilize a more linear and vertical conceptualization of economic relations, while GPNs are conceptualized in terms of relational networks that have “horizontal” and “vertical” dimensions (Coe, Dicken and

6 A thorough review of different theories of value and their relevance to GVC/GPN research (such as neo-Ricardian, neo-Marxian, Sraffa, etc.) is beyond the scope of this dissertation. My contribution to these debates is to highlight how power geometries within GVCs/GPNs shape the process of value creation and distribution, building on the insights from contextual theories of value, which do not treat value creation, value capture or political relations as general laws or guarantees (Barnes, 1989; Massey, 1995).
Hess, 2008). Second, GCC/GVC research focuses primarily on inter-firm governance, while GPN research aims to consider “all relevant sets of actors and relationships” (ibid., 272). In addition to these key interventions, the GPN scholars proposed addressing the firm-as-a-black box problem by incorporating complex intra-firm dynamics of struggle and collaboration that take place through commodity production networks (Coe, Dicken and Hess, 2008).

Although this re-conceptualization represented an important and ambitious attempt to emphasize the *spatio-temporality* of the global economy, in practice GPN research has not been that different from GCC/GVC research, has suffered from a lack of focus because of its all-inclusive framing, and has inadequately held true to its more critical aims such as a proposed engagement with actor-network theory (Levy, 2008; Coe, et al., 2008). With regard to the aims of this dissertation, there are also several other ways in which the GPN approach is a step in the right direction, but doesn’t quite go far enough. First, until recently, the GPN researchers (like GCC/GVC researchers) have not engaged much with a long tradition of feminist industrial ethnography or feminist cultural economies literatures (Collins, 2003; Gibson-Graham, 2006; Nagar, et al., 2002; Ong, 1987; Salzinger, 2003; Wright, 2006), despite the clear potential that these literatures have for advancing understandings of embeddedness and uneven power relationships within firms.7 Second, the role of normative and ideological forms of power in shaping economic and social behavior in global firm networks has also been neglected until

7 Exceptions to this include Coe, 2013; Coe and Jordhus-Lier, 2011, Yeung, 2005, and to a limited extent, Coe, et al., 2008.
recently (Hess, 2008; Gibbon, et al., 2008), despite the initial intent to engage with actor-network theory. Finally, some scholars assert that the GPN approach has, in practice, been equally as capital-centric as GVC scholarship, especially in its relatively uncritical incorporation of the upgrading concept (Werner, 2012).

Although I am mindful of the ontological and epistemological differences between the GVC and GPN approaches, I incorporate some of the analytical insights of each into my analysis of governance and upgrading (Bair, 2008). In doing so, I use the GVC framework more narrowly in my analyses of inter-firm networks, and I draw more from the GPN framework when analyzing the broader relational dynamics of commodity production such as situating Sri Lankan ethical production initiatives in the local or national context. At the same time, in an attempt to address some of the lacuna mentioned above, my research aims to forge deeper linkages with the cultural economy and feminist industrial ethnography literatures than either the GVC or GPN have done. This aim, as well as my focus on management knowledges and practices, requires more engagement with how ideological and normative understandings of power shape firm behaviors and programs of governance as well (Ponte and Gibbon, 2005; Hughes, 2001). Next, I summarize the cultural economy literatures in economic geography and explore their relevance for the questions of this study.

1.2.2 Cultural and relational turns in economic geography

In the mid-1990s, economic geography began a serious engagement with the “cultural turn” (Crang, 1997; Thrift and Olds, 1996; Amin and Thrift, 1997; Gibson-Graham, 2006). This was part of a broader trend starting in the late 1970s in the social sciences and humanities, involving a shift away from positivist epistemologies that focus
on scientific explanation and towards hermeneutic epistemologies that emphasize meaning (Sayer, 1984). Influenced by post-structuralism, feminism, and post-colonial studies, the cultural turn emphasized the positionality, partiality, and the conjunctural situated-ness of knowledges, as opposed to assuming the existence of singular, objective truths and meta-narratives (Foucault, 1995; Haraway, 1991; Latour, 1993; Mohanty, 1991). Thus, these cultural and relational economic geographies emphasize the co-constitution of the “economic” and the “cultural,” rather than assuming that the economic and the social are separate categories that take on centered and universal meanings everywhere and to everyone (Thrift and Olds, 1996). Critical of structural Marxist political economy and arguing for a socially differentiated understanding of concepts such as time-space compression (Harvey, 1989; Massey, 1993), it emphasizes understanding the “economic” through everyday practices that are situated and embodied—taking into account how actors shape and are shaped through hegemonic discourses and spatio-temporal relations. Moreover, relational geographies aim to grapple with the messy (but not too messy) encounters between the general and the particular, the micro and the macro, the structural and culturally relative, the static and the flux, and the global and the local (Massey, 1984; Peck, 2005; Tsing, 2005).

From what is now a long-standing but heterogeneous relational economic geography tradition, I pull out two particular strands that are fecund for the task of rethinking understandings of global governance in ethical trade programs. First, I seek to re-invigorate Massey’s (1993) concept of power-geometry as a way to explain how the chapters of this dissertation are woven together. Power-geometry arose as a critique of Harvey’s (1989) notion of time-space compression—the accelerating pace of economic
and social life in the post-modern era of globalization and hyper-mobility, or as Marx (1972) asserts in the *Grundrisse*, the “annihilation of space by time.” Massey (1993: 62) argues that the power-geometry of time-space compression refers to how “different social groups and different individuals are placed in very distinct ways in relation to these flows and interconnections.” In this way, the concept of power-geometry is about how multiple fields of power (gender, ethnicity, etc.), each with their own internal hierarchies, interact across scales, dimensions, and interconnected places (Massey, 1993). Therefore, her critique, even though it remains rather abstract, offers a promising way to think about how economic change is mediated through complex, multi-scalar geometries of power rather than determined by the logics of capital alone. It emphasizes the politics of mobility and access much more than either the GVC or GPN concepts of governance.

From power-geometry, then, I begin to formulate a de-centered understanding of governance, one that analyzes how multiple forms of power operate simultaneously through the geometry of social-material relations (Bridge, 1997). In this way, the concept of power-geometry enables us to re-cast the (un)ethical trade problem as a surfeit of authorities, rather than a deficit, and as an ongoing ethico-political struggle, rather than an apolitical improvement project (Ferguson, 1990; Li, 2007). Given that this is, indeed, an extremely open interpretation of how fields of power co-exist and interact, I narrow the scope by maintaining a methodological focus on managers navigating the intersection of many of these power fields and by analyzing a different kind of relationship in each substantive chapter (buyer-supplier, labor-management, etc.). Taken together, the chapters offer more than the sum of their parts, because the concept of power-geometry provides the theoretical scaffolding to assemble a more poly-centric and reflexive theory.
of governance out of these seemingly fragmented pieces. For example, power-geometry allows me to draw more analytically “thick” connections between “local” labor-management relations and “global” buyer-supplier relations (Nagar, et al., 2002).

The second strand of relational economic geography that I build on is a more recent arrival in economic geography debates, critical policy studies and “policy mobilities” (Larner and Laurie, 2010; McCann, 2008; Peck and Theodore, 2010). With contributions from a wide range of disciplines (including politics, anthropology, institutional analysis, city and regional planning, and sociology), these approaches provide analytical inspiration for my research on the emergence of “better” management norms and practices and how they “move” and adapt as they gain currency through local institutional and national settings. This research focuses on themes such as the “mobile technologies” of neoliberal governementality (Ong, 2006), the conditions of emergence of policy experts and expertise (Larner and Laurie, 2010; Mitchell, 2002; Roy, 2012), and ethnographies of states and non-state forms of governance (Gupta and Sharma, 2006; Jessop, 1999). Critical policy studies seeks to understand how “good” policy and “best” practices are made and how they travel through space and place, shaping and being shaped by the everyday settings and embodied subjects that take part in translating them (Larner and Laurie, 2010; Peck and Theodore, 2010). The methodological approach tends to focus on discourse analysis and multi-sited ethnography to follow “global policy chains,” a terminology inspired by the GVC framework (Roy, 2012: 33), and trace the organization of consent and moments of friction (Li, 2007; Tsing, 2005). Yet, ethnography here is conceptualized as an “ethnography of circulations” rather than an “ethnography of locations,” meaning the focus is on how worlds are created by policy

I adapt this analytic for thinking about the emergence of normative rationalities of rule and global processes of expertise formation and dissemination, applying it to study management in and of GPNs rather than policy. Focusing on supply chain mid-level management as “epistemic communities” allows an analysis of how management knowledges circulate and take shape through contested international terrains of social and economic power relations (Larner and Laurie, 2010). Because mid-level managers are situated at the critical nexus of trying to implement multiple compliance programs from different global buyers, meet tight production deadlines and high quality standards, and maintain a productive, motivated, and skilled workforce, this research foregrounds how translating ideas of “good” management into practice is a difficult, incomplete, resource-intensive, and contradictory process. My research in Europe and the U.S. situates these on-the-ground management ethnographies in the broader relations of international political economy and macro-institutional power (ibid.; Peck and Theodore, 2010).

1.2.3 Feminist industrial ethnographies and studying workplaces

The third major body of theory that this project engages is feminist geographies and industrial ethnographies, which has had a strong influence on the methodological approach of this research (Ong, 1987; Fernández-Kelly, 1983; Kondo, 1990; Wolf, 1992; Mills, 1999; Chari, 2004; Salzinger, Wright, 2006). As a whole, this body of literature uses micro-level ethnography, participant observation, and discourse analysis to understand how the globalization of production articulates with existing structures of domination and subordination (e.g., gender, class, ethnicity) to shape the everyday lives
and identities of female workers. For example, several studies focus on how feminized labor regimes were produced for employment in free trade zones and other newly industrialized places with the shift to export-oriented development strategies and rise of structural adjustment programs (Cravey, 1998; Hewamanne, 2008; Ong, 1991; Wolf, 1992). The overarching theme is to analyze the variegated ways in which capital uses gendered ideologies to recruit and discipline workers, discursively emphasizing the “cheapness” of women’s labor (Elson and Pearson, 1981; Wright, 2006), their subordination as “daughters” (Wolf, 1992), their roles as wives and mothers (Kondo, 1990), their potential to become feminized consumers (Lynch, 2007; Mills, 1999), and/or their sexualized bodies (Wright, 2006). Over time, the debates in this literature have shifted from assessing how transnational production affects women to grappling with how gendered relations and transnational production are co-constituted (Bair, 2010). In addition, the feminist ethnographies of global production provide sophisticated analytical tools for conceptualizing managers as embodied subjects (Ong, 1987; Salzinger, 2003; Wright, 2006). Feminist inquiry, in general, is attentive to the ways in which difference shapes the organization of social worlds, including the economic, in particular conjunctures (Bair, 2010).

At the same time, because of its ethnographic emphasis on being grounded in particular factory settings, the feminist industrial ethnographies so far do not thoroughly incorporate hierarchical dynamics of power that operate through firm networks (Bair, 2010), which is what the GVC approach has focused much of its analysis on (Gereffi, 1994; Gereffi et al., 2005). Therefore, one of my contributions to the feminist industrial ethnography literature is to draw on the GVC/GPN literature to start bringing these global
dynamics into the analysis. My key other contribution is to show how logics of women’s advancement and empowerment that are used to discipline and recruit female workers in Sri Lanka compared with the more well-documented logics of disposability and cheapness (Wright, 2006). As a whole, I am responding to the call from feminist scholars have called for more multi-sited and mixed methods studies of economic globalization that integrate the epistemologies of feminist and economic globalization (McDowell, 2008; Nagar, et al., 2002).

In the Sri Lankan context, my research builds on two recent Sri Lankan apparel industry ethnographies lay important foundations for my research (Lynch, 2007; Hewamanne, 2008). These studies were based on extended ethnographic research in a small set of factories in Sri Lanka, one in a rural setting (Lynch, 2007) and the other based in export processing zones (Hewamanne, 2008). These projects enable me to situate ethical initiatives in the broader historical context of post-colonial development and changing gender roles in Sri Lanka, such as how and why the industry went to such great lengths to improve the image of garment work in Sri Lanka and market itself as an “ethical” garment producer to global buyers. In addition, there have been numerous studies with an empirical focus on how garment workers navigate the complex terrains of social change and industrialization, especially in Sri Lanka’s export processing zones (Gunawardana, 2007; Hewamanne, 2008; Lynch, 2007; Ruwanpura, 2013; Shaw, 2004). However, thus far, there have been few meso-level studies that connect this work with the overall sectoral dynamics of the industry and its linkages with global firms (one exception is Ruwanpura and Wrigley, 2011). My work extends the ongoing research in
Sri Lanka in important ways through its emphasis on multi-sited research and the everyday practices of management.

There are several key themes specific to the feminist geography literature as well, such as research on the cultures of institutions, workplaces, organizations, nations, places, industries, and classes (McDowell, L., c.f. Hughes, 1999: 364). These geographers re-conceptualize “the firm” to take account of how workplace cultures, tensions, and normative customs and habits shape how business is conducted (Massey, 1995a; McDowell, 1997; Schoenberger, 1997). Moreover, feminist economic geographers often shift from place-based ethnography to multi-sited ethnography, in order to be able to understand how power relations, discourses, and practices circulate and connect in and through globalization (Marcus, 1998; Burawoy, 2001). Typically, this means interviewing elite networks, which brings about different methodological challenges, especially with regard to access, time limitations on-site, positionality, and expense (Freidberg, 2001; McDowell, 1998; Parry, 1998). As described further in the methodology section, my research is in line with this geography-specific tradition of conducting multi-sited, global ethnography of elite networks.

1.3 Key concepts

In this section, I summarize the debates about two of the foundational concepts of the commodity chains literatures. There has been an extensive level of debate over these concepts within and between the commodity chains literatures, and even debate over
whether and why they should be as foundational as they are\(^8\) (Brewer, 2011; Selwyn, 2013). I engage with these concepts throughout the dissertation, and they engender many of the developmentalist imaginaries that I wish to de-center and unsettle. Therefore, this section helps to clarify exactly what pieces of the complex GVC/GPN frameworks I aim to take up in this dissertation, as well those that I do not.

1.3.1 Governance

In the GVC literature, governance, in the most general sense, refers to private governance—non-governmental institutions that enable and constrain economic activities in the global economy (Mayer and Gereffi, 2010). The rise of various forms of private governance is widely considered a response to the “governance deficit,” the inadequacy of public governance institutions to address the negative externalities of globalization and footloose capital such as child labor, environmental pollution, or excessive overtime—the “race to the bottom” (ibid.) In short, a governance deficit is portrayed as a lack, or absence, of authority.

This governance deficit narrative is often told as a Polanyian (1957) story: globalization led to a dis-embedding of markets from state-led regulations and territorial authority, and the counter-movements against this represented an effort to re-embed markets through codes, compliance systems, monitoring, certification schemes, labels, protests, and watchdog campaigns (Barrientos, Mayer, et al., 2011; Mayer and Gereffi, 2010; Pearson and Seyfang, 2001). Mayer and Pickles (2010) expand upon this dynamic

\(^8\) Although I take seriously these more extreme critiques (such as proposing we do away with the concept of upgrading altogether) and incorporate them into my theoretical framework as contributions, I put the larger questions to one side to maintain focus on the specific aims of the dissertation.
by incorporating a broader range of governance regimes into their conceptualization of these processes of embedding, dis-embedding, and re-embedding. This conceptualization is a step towards thinking about governance in terms of power-geometries. One of the important fields of power is the ethical trade counter-movement in major consumer markets, or what Freidberg (2004: 513) refers to as an “ethical complex.” It represents a desire—largely on the part of consumers, domestic producers and trade unions in wealthy nations, and activist groups—to that pressured buyers to improve labor and environmental standards globally in an attempt to resolve the absence of governance.

Within the GVCs literature, however, governance typically refers to the power dynamics of private firms in the chain, such as which firm controls market access and coordinates the chain and how attributes such as product specifications and capital intensity correspond to specific types of governance structures (Gereffi, 1994; Gereffi, et al., 2005). Hess (2008) characterizes this conception of governance as one in which power is understood as centralized and deployed in a hierarchical, structural relation of dominance and subordination between firms in the chain. In this context, apparel is typically considered a “buyer-driven” chain, meaning that global buyers and retailers are often the lead firms coordinating activities of firms in the chain and setting standards for market participation (Gereffi, 1994). For the purposes of ethical trade, GVC scholars argue that because apparel GVCs are buyer-driven, buyers that emphasize codes and compliance standards have the potential to enforce higher supplier compliance with international standards under certain conditions (Mayer and Gereffi, 2010). Nevertheless, these scholars also argue that private governance alone is not sufficient to improve standards overall, making the case for combining private governance systems with
stronger public governance institutions and mechanisms. In other words, the problem is framed in terms of how to govern more, with the intervention justified by the absence. I contend, however, that the concept of governance itself should be more carefully theorized to account for the multiple ways in which power-geometries operating through different spatio-temporal contexts interact with and mediate the “global” (and vice-versa).

The GPN framework offered a much more nuanced and less structuralist understanding of power in its earliest incarnations, drawing explicitly from actor-network theory and its influences in economic geography (Dicken, et al., 2001; Thrift, 1997; Latour, 1993). However, for some reason, this was substantially narrowed in the subsequent theoretical development of the GPN framework, in which they posited (only) three key forms of “networked” power: corporate, institutional, and collective (Henderson, et al., 2002). In more recent GPN scholarship, there have been attempts to recuperate the more critical understandings of power and governance (Hess, 2008; Coe, et al., 2008), this time emphasizing cultural political economy and identifying specific thematic areas that need attention (Coe, et. al., 2008). Hess (2008) contrasts GVC concepts of centralized power with GPNs, describing the GVC understanding of power as networked and de-centralized. As a result of these efforts to revisit the GPN framework, there has been a notable increase in GPN research on some of the underdeveloped themes that they mentioned, especially a promising effort to connect with work on labor agency and labor geographies (Carswell and De Neve, 2013; Castree, 2007; Coe, 2013; Coe and Jordhus-Lier, 2011; Cumbers, et al., 2008; Herod, 2001; Rainnie, et al., 2011). Nevertheless, there is a considerable variance in these studies between whether the
authors adopt a structuralist, relational, or hybrid approach to understanding power, so it is difficult at times to grasp how GPN theories of governance and value cohere at some level and differ markedly from GVC approaches.

In building a more de-centered concept of governance, I draw on the concept of power-geometry because it provides a scaffolding for striking a balance between overly structural and overly relational theories of power (Massey, 1993; Allen, 2003). Even though I am aware that the theoretical frameworks that I am using in this dissertation have different ontological and epistemological origins, each of them can only offer a partial perspective on power relations and governance. My aim here is to explore how connecting them can move the respective internal debates in new directions. I am not the first (nor the last) to attempt to draw relational and feminist geographies into debates about global commodity production nor to try to build bridges between structural and post-structural understandings of economic change (Bair, 2010; Collins, 2003; Salzinger, 2003; Werner, 2012; Wright, 2006). However, unfortunately, these ways of approaching studies of economic globalization still remain largely separate and have been for some time (Nagar, et al., 2002). In bringing in an analysis of management knowledges, I also draw on previous attempts to bring attention to forms of governmentality in GVCs/GPNs (Gibbon and Ponte, 2008; Hess, 2008; Hughes, 2001). For example, Gibbon and Ponte (2008) draw on Foucault’s (1991) concept of governmentality to analyze discourses in supply chain management journals, tracing the emergence of different priorities as business norms and conventions shifted over time. My goal is for the chapters of this dissertation to work together to build a de-centered theory of governance that is robust enough to accommodate different understandings of power but that still hangs together.
enough to forge a middle path between what are often theoretically (but not concretely) separated as micro—macro, bottom-up—top-down, or global—local.

1.3.2 Upgrading

Critical to the high road hypothesis of private governance is the notion that upgrading leads to global competitiveness at a national or sectoral-scale, and that competitiveness then can contribute to regional development. Humphrey and Schmitz (2002) identified four types of upgrading: product, process, functional, and chain upgrading. Upgrading is considered a pathway to broad-based development because of its potential to stimulate organizational learning, enhance workforce skills, generate higher wages, create additional jobs, and enhance the competitiveness of a country or industry sector relative to other countries. This conceptualization of upgrading revolves around the Schumpeterian notion of economic rent, in which a firm innovates and maintains a short-term monopoly over the innovation to capture profits. Soon after, competitive firms mimic the innovation and erode the profitability of the original innovator, and this spurs further innovation (Kaplinsky 1998; Schrank, 2004; Werner, 2012). In short, it is a technical/organizational fix to the problem of falling rate of profit (Marx, 1976).

While I use the GVC framework because it is helpful for analyzing hierarchical dynamics of power through the value chain, I am also contributing to an ongoing critical engagement with the concept of upgrading (Gibbon and Ponte, 2005; Pickles, et al., 2006; Schrank, 2004). Earlier debates about upgrading tended to focus on how firms will diversify their strategies in an intensifying environment of competition as a matter of survival (See Figure 3). Tokatli summarizes these debates as follows:
[Firm] advancement is not unidirectional (moving into higher and higher value-added activities and leaving lower value-added ones behind), but rather that it is about branching out in multiple directions without withdrawing from profitable activities, including supplying others as full-package or even as cut-make-trim manufacturers. As these examples will show, wearing multiple hats may, in fact, be the most common business strategy among successful manufacturing suppliers (Tokatli, 2012: 6)

Thus, as shown in Figure 3, these scholars suggest expanding the low/high road theory of firm competitiveness so that it also includes diversification strategies that firms use for risk management and survival.

Figure 3: Complexities of the Upgrading Hypothesis in Global Value Chains

Schrank (2004) takes upgrading critique further by asserting that upgrading may bring competitive advantages in the short run, but in the long-run upgrading becomes a matter of survival because the returns to upgrading are devalued as higher-value practices become more widespread. Brewer (2011) concurs, calling this the “upgrading paradox.” In fact, a recent wave of scholarship has been especially critical of the GVC/GPN hypothesis that upgrading leads to global competitiveness and inclusive growth (Selwyn,
Selwyn (2012) and Coe and Jordhus-Lier (2010) call for re-orienting the analysis of upgrading by placing labor and class relations at the center of the analysis, because they argue that labor’s bargaining power is often a determinant of whether gains from upgrading are shared with workers. These scholars are drawing more from a Marxist political economy approach that emphasizes systematized antagonism between capital and labor, rather than the new institutional economics focus on establishing arrangements of mutual gain.

Within the GVC/GPN framework itself, especially through the “Capturing the Gains” research network, several scholars more closely affiliated with the GVC/GPN approaches have attempted to revise the theory of upgrading by adding a distinction between social and economic upgrading (Barrientos, Gereffi and Rossi, 2011; Milberg and Winkler, 2011). “Social upgrading” is defined as the process of improving the rights of workers and enhancing the quality of their employment, which includes measurable standards and enabling rights (Barrientos, Gereffi and Rossi, 2011). This shift came about because of empirical evidence that economic upgrading can, but does not always lead to improvements for workers as well (ibid.). In other words, the positive gains for workers is now generally understood by leading GVC scholars to be mediated by a host of factors, perhaps a step toward embracing the GPN critique. Nevertheless, Selwyn (2013) critiques this framing of social and economic upgrading, questioning the possibility of mutual gains altogether.

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9 This definition comes from the International Labour Organization’s Decent Work agenda (ILO, 1999).
My perspective on upgrading lies somewhere in the middle of the spectrum of debates about upgrading: between institutionalist perspectives that offer possibilities for finding common ground, on one side; and more economic determinist branches of Marxist political economy that tend to reduce social relations to an underlying economic logic, on the other. As shown in the clouds in Figure 3, my interventions in the upgrading debates are to bring more attention to how contextually specific factors—what Storper (1997) called untraded interdependencies (such as local norms, labor markets, public institutions, understandings, and values)—mediate the process of upgrading by constraining or enabling a firm’s shift to higher-value products, more efficient processes, additional stages of production, etc. I examine this in Chapter Four by looking at the interplay between the history of colonialism, trade liberalization, labor supplies, and the institutional organization of the industry sector. In Chapter Six, I take this a step further by analyzing the ways in which managers ideologically interpellate gendered subjects into production, drawing on locally relevant master tropes such as narratives of national independence to do so. My second intervention in the upgrading debates is to look more closely at how uneven market power mediates the relationship between environmental upgrading and global competitiveness in Chapter Five.

1.4 Research methods

Given the questions and aims that prompted this research and limited availability of quantitative data, the research design incorporated mixed methods and a primarily qualitative approach. I used a combination of semi-structured key informant interviews, discourse analysis, participant observation of ethical trade conferences, factory-based research, and a short descriptive survey of suppliers. The key informant interviews were a
core aspect of my methodology and my main entry point for accessing managers and other participants. The participant observation that I conducted at five ethical trade conferences\footnote{Business for Social Responsibility 2011, International Labor Organization Better Work 2011, Sri Lankan Design Festival 2010, a social labeling conference at Northumbria University in 2010, and an MFA Forum workshop in 2009.} was extremely helpful for improving access to key informants and analyzing alliances and discourses of ethical trade among actors as they debated various issues at these conferences. I conducted research in nine factories in Sri Lanka, with visits ranging in length from one day to five days. The factories were primarily located in rural or semi-rural areas, but two were in export processing zones near Colombo, and one was in an industrial park.

I also gathered quantitative data when feasible, such as trade data and macro-level statistics about Sri Lanka. However, sector-level quantitative data (aside from trade data) were not widely or consistently available. For example, there is very limited data available on the numbers of firms over time, employment in the sector, and the divisions of labor in the sector (e.g., by gender, position, etc.). Therefore, I often relied on secondary sources that agglomerated data from multiple sources, which has its limitations (e.g., Staritz and Frederick, 2012).

I conducted several rounds of research in Sri Lanka, Europe, and the United States that was organized in to five phases. In total, I carried out research for a total of approximately four months in the EU and US, and nine months in Sri Lanka (see Table 1). I obtained several research grants that were instrumental for obtaining a research visa in Sri Lanka and necessary to carry out the very costly process of multi-sited research (Parry, 1998).
I initially selected factories that were exceptional in terms of their innovation in some dimension of upgrading such as the green factories and those that were farther along in the transition to lean manufacturing because these are novel practices—most of these plants were relatively far from Colombo. Then, I strategically balanced that by selecting factories in the export processing zones, incorporating smaller and medium sized firms into my sample, ensuring that I visited factories that were part of the largest firm networks and then others that were not, and interviewing owners and managers of factories even when a visit to the factory itself was not granted (including an interview with the former owner of a firm that had closed). Still, given the small sample size and overrepresentation of exceptional factories and very large firms, this research should not be interpreted to be representative of the industry sector as a whole. Nevertheless, as a result of the consolidation in Sri Lanka, it is true that the largest firms occupy a very large share of the total exports, which means that what is happening in those firms does represent a larger proportion of factory practices than what is occurring in smaller firms with only one or two plants (see Chapter Three).

I conducted forty-two semi-structured key informant interviews in the US and Europe and ninety in Sri Lanka with representatives from NGOs (including trade unions),
academics, buyers, suppliers, industry associations, third-party ethical trade consulting firms, and the public sector (including government officials and international institutions) (See Table 2). These were all conducted in English, because the English skills among this population were generally very high. Each interview lasted from 30 minutes to two hours, but on average they lasted an hour. They were typically held in the offices of the participant for their convenience, and in rare instances in cafes or restaurants. In all key informant interviews, I strove to understand participants’ work histories and career progressions,\(^{11}\) as well as how the participants understood what it means to be “ethical” and what it means to be a “good” factory, manager, worker, or buyer. Often, I waited until the end of the interview to ask more controversial or aggressive questions, a strategy that I found effective for getting more candid responses throughout the interview. I purposely interviewed a wide range of participants at top, middle, and lower levels of management within the Sri Lankan apparel industry, which included company owners, factory directors, human resources managers, human resources staff, production managers, quality assurance managers, trainers, industrial engineers, corporate headquarters staff, compliance managers, and team leaders.

With industry informants in Sri Lanka, I also was able to spend unstructured time with some participants (such as during extended travel to a field site or during meals), which enabled me to engage them in more informal conversations and make informal ethnographic observations. These unexpected, unstructured experiences were a treasure trove for learning more about participants’ life histories, work histories, social networks, and personal stories.

\(^{11}\) This is typically how I started interviews, which proved to be a very effective method for building rapport with participants and learning about their aspirations and life histories (McDowell, 1998).
worldviews, and workplace cultures in Sri Lankan apparel companies. For example, it was through these conversations that I learned about the dense, elite networks that are formed through attendance at one of four private, English-speaking, male only, former colonial secondary schools in Sri Lanka. This strengthens relationships between business and government officials in Sri Lanka, on the one hand, and represents a considerable professional barrier for women or underrepresented populations, on the other. This would be a fascinating topic for further research into the elite networks and colonial legacies in Sri Lanka.

Table 2: Key Informant Interview Participants By Type

<table>
<thead>
<tr>
<th>Type of Participant</th>
<th>Sri Lanka</th>
<th>No. of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Yes</td>
<td>65</td>
</tr>
<tr>
<td>Buyer</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>Industry Association</td>
<td>Yes</td>
<td>6</td>
</tr>
<tr>
<td>Public Sector</td>
<td>Yes</td>
<td>7</td>
</tr>
<tr>
<td>Non-Governmental Organizations</td>
<td>Yes</td>
<td>8</td>
</tr>
<tr>
<td>Academics</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>Buyer</td>
<td>No</td>
<td>11</td>
</tr>
<tr>
<td>Public Sector</td>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>Non-Governmental Organizations</td>
<td>No</td>
<td>11</td>
</tr>
<tr>
<td>Third Party Ethical Trade Consultants</td>
<td>No</td>
<td>7</td>
</tr>
<tr>
<td>Academics</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>Total in Sri Lanka</td>
<td></td>
<td>90</td>
</tr>
<tr>
<td>Total Outside of Sri Lanka</td>
<td></td>
<td>42</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>132</td>
</tr>
</tbody>
</table>

12 Most leading politicians and businessmen attended one of these schools, and a large share of managers in the apparel industry. I suspect this strengthens relationships between business and government officials in Sri Lanka, on the one hand, and represents a considerable professional barrier for women or underrepresented populations, on the other. This would be a fascinating topic for further research into the elite networks and colonial legacies in Sri Lanka.
I attempted to conduct a survey of suppliers in Sri Lanka, but in the end was only able to survey six of the nine factories that I visited due to access challenges, logistical constraints and time limitations. Still, the data that I did collect are helpful for comparing the factories visited (see Table 3). However, the individual questions were optional and the information provided about upstream and downstream linkages in these surveys was, unfortunately, not complete enough for me to do detailed value chain mapping.

Table 3: Description of Factories Visited

<table>
<thead>
<tr>
<th>Plant</th>
<th>Size</th>
<th>Lean?</th>
<th>Activities</th>
<th>Products</th>
<th>Female</th>
<th>Sri Lankan owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>1020</td>
<td>Yes</td>
<td>CMT</td>
<td>Ladies tops, jackets, vests</td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>C</td>
<td>877</td>
<td>Yes</td>
<td>CMT</td>
<td>Briefs, bras</td>
<td>75%</td>
<td>100%</td>
</tr>
<tr>
<td>D</td>
<td>430</td>
<td>No</td>
<td>CMT</td>
<td>T-shirts, knit tops, camisoles</td>
<td>95%</td>
<td>N/A</td>
</tr>
<tr>
<td>E</td>
<td>4184</td>
<td>Yes</td>
<td>CMT</td>
<td>Bras, briefs, camisoles</td>
<td>86%</td>
<td>100%</td>
</tr>
<tr>
<td>G*</td>
<td>739</td>
<td>No</td>
<td>CMT</td>
<td>Knits</td>
<td>77%</td>
<td>100%</td>
</tr>
<tr>
<td>J</td>
<td>350</td>
<td>No</td>
<td>Printing, finishing</td>
<td>Labels, hand tags, stickers, packing boxes, price tickets, collar cards</td>
<td>25%</td>
<td>50%</td>
</tr>
</tbody>
</table>

*Plant G was filled out at the company scale, which includes 4 plants.
‘CMT’ = Cut, Make, Trim (assembly). This refers to plant level activities, not companies overall.
‘N/A’ = data not provided.

Despite these limitations, general information was collected about buyers, destination markets, and input sources through the surveys. The buyers indicated included Marks and Spencer, Victoria’s Secret, Nike, Gap, Next, La Senza, ASDA/George (owned by Wal-Mart), Armani, and others. By far, the most important destination markets were the United States and European countries, reflecting national industry trends of over-concentration in export markets (Kelegama and Wijayasiri, 2004). The countries that the factories commonly sourced imported inputs from were China (including Hong Kong and Taiwan), Indonesia, and India. They reported a very low or
nonexistent incidence of subcontracting and temporary or part-time labor. All of the factories except one reported that females made up over 75 percent of the workforce, and the exception was a printing company that primarily used machines rather than labor-intensive assembly operations. Overall, shop floor, assembly operations were on average 96 percent female, while men occupied approximately two-thirds of mid-level executive and top management positions. These findings are consistent with my shop floor observations and with previous research on the industry (Kelegama and Wijayasiri, 2004). I was not able to find any recent secondary data on apparel sector employment that was broken down by gender and job categories.

1.5 Positionality, partiality, and ethical dilemmas

It is now well established in human geography that every attempt to shed light on social and cultural worlds produces situated and partial knowledges (Haraway, 1991). This means that such research should aim to cultivate an attentiveness to moments of struggle and unease within the research process and to how a researcher’s position shapes the research strategy and analysis of findings (McDowell, 1998; Schoenberger, 1991). Drawing from these traditions of feminist methodology, this section summarizes my key

13 Although employment terms were difficult to verify without official auditing privileges, there are relatively strong labor laws in Sri Lanka that restrict employment of non-permanent and part-time workers in the private sector (Ruwanpura, 2012). I did obtain reports of some subcontracting practices through my interviews and observed one informal home-based sewing operation near the largest export processing zone, but overall subcontracting appears to be more limited in Sri Lanka compared to other countries.

14 This figure excludes the factory that made labels and hand tags instead of garments themselves, because it is an outlier as a result of the differences in the production process.
reflections on method.\textsuperscript{15} First, I explain the most significant challenge and the changes that I had to make in my schedule as a result. Then, I reflect on my key informant interviews in Sri Lanka and Europe with relatively powerful participants and some of the dilemmas I faced.

As a result of contracting dengue fever about five months into research, I realized that, as the actor-network theorists and political ecologists might quip, a single mosquito can shape an entire research trajectory. Because of the flexibility and generosity of my funding sources under the circumstances, I made a return trip to Sri Lanka four months after contracting dengue. However, the disruption made it very difficult to carry out the kind of trust-building in one or two factories necessary to gain approval to interview workers. This contributed to my decision to focus on managers, along with the other factors described earlier. Second, it curtailed my efforts to conduct a larger factory survey with managers, because I did not have the time to coordinate and collect the survey consistently. Third, it actually made my research with managers easier, because coming back after a few months signaled to them that I had a commitment to the research, a shorter time frame encouraged them to respond sooner, and having time away enabled me to return with a more targeted research agenda. In addition, because I ended up making more trips the U.S. and Sri Lanka, I was able to carry out additional interviews in Europe. In the end, the more temporally distributed trips to Sri Lanka and Europe facilitated the multi-sited aspects of my research and enabled me time to step away from the field to carefully adjust my design.

\textsuperscript{15} In the interest of space I aim to hit on only the key points in this chapter.
1.5.1 Positionality and self-presentation

My positionality as a young-looking, white, dark-blonde female in Sri Lanka carried a great deal of baggage with it, because I was very visibly marked in that context as a foreigner, a Westerner in a post-colonial landscape, and alternatively an ignorant/naïve girl or a sexually loose woman. Passing was not an option, so I quickly realized that I had to consciously navigate these markings on an everyday basis not only to succeed in my research but also for my personal safety, because (despite my attempts to dress and behave in ways consistent with local norms) I encountered numerous incidents of unwanted sexual touching, sexual comments, and stalking on the streets, in interviews, and in the hospital.16

Compared with my research in Europe, I also had to make an extra effort to explain my research goals and interests in Sri Lanka because doctoral researchers are rare in factories. Because foreigner presence in factories usually indicates an audit or buyer visit, there was a tendency to think I was an auditor. This was bad for my research because the more they expressed fears of a negative evaluation, the less willing they were to engage in the interview. However, usually their trust increased considerably when they realized that I was asking different kinds of questions than those that auditors typically asked. In Europe, it was much easier to convey the goals of my research and I did not have to go to any great lengths to differentiate myself.

In Sri Lanka, more-so than in Europe, I faced the usual ethical dilemma about self-presentation and associated validity problems (McDowell, 1992; Schoenberger, 16)

16 Thankfully, these were much more common in public spaces than in interviews, but there were still some incidents of inappropriate sexual comments and innuendoes in my research interviews and in informal conversations (during travel, etc.).
As Parry (1998) described in her research of elite networks, I found it necessary to adjust my self-presentation often on-the-spot (from expert to ignoramus) depending on the power relations taking place in the interview. For example, if the person was clearly trying to establish dominance in the interview, I would go along with the unthreatening ignoramus self-presentation until the very end of the interview because otherwise they tended to get more hostile or just refuse to share information. However, when the interview dynamics were more relaxed, often the interviewee would ask questions about my research or my findings. In these cases, I would engage in more discussion. Although having this kind of variation in self-presentation and interview power dynamics is not ideal for ensuring a consistent quality of information across the sample, it comes with the territory of corporate or elite interviews and is not entirely within the researcher’s control (Schoenberger, 1991; Parry, 1998).

Given that approximately 70 percent of my informants in Sri Lanka were males from relatively higher class backgrounds, there were some clear advantages and disadvantages to being marked in the ways that I was. As a whole, I feel that my interviewees in Sri Lanka were not as threatened by me as they would have been by a male or an older, more senior academic. This worked in my favor, because they were often very forthcoming in ways that surprised me. On the other hand, at times I found it very difficult to get responses from potential participants, and I know that more senior researchers that I encountered had much less difficulty establishing first contact on the basis of their status as Western professors. By exchanging fieldwork impressions with a female academic from Sri Lanka, I also observed that I was able to collect certain types
of information that she was not, and vice versa, because I was a foreigner and she was a
Sri Lankan.

Although my interviews in Europe and the US were easier in some respects, they
were more challenging in others. My positionality in the European context was much less
complicated to navigate because, on the whole, I was not considered as an outsider from
a cultural perspective. They knew exactly what a PhD researcher was interested in
achieving, and perhaps as a result of this, on the whole, the interviews tended to be more
structured and scripted compared to the informal and interesting riffs that occurred more
often in Sri Lanka.

In Europe, however, access was much more difficult, and it was at times
challenging to get a full hour in with a participant or to have their full attention. For
example, one person started the interview about thirty minutes late and then proceeded to
lead me all around London in the rain while searching for a going-away present for a
colleague. Therefore, it was challenging to get the same level of richness in my European
interviews. Conferences were extraordinarily helpful for making initial contact and
conserving resources. Access with buyers was particularly challenging, and several
individuals from one company declined to meet with me altogether despite multiple
attempts and angles of approach. However, most buyer representatives were open to
meeting and more candid than I expected, but they offered very limited time frames to
meet. I supplemented in-person interviews with four or five phone interviews given how
challenging and expensive it was to meet with Non-Governmental Organizations (NGOs)
and buyer representatives in person.
1.5.2 Ethical dilemmas

One of the ethical dilemmas that I faced as a researcher was that I developed friendships with some of the junior managers and one of the intermediate level managers in Sri Lanka, remaining in touch with them throughout my research and often relying on them to connect me to other contacts and/or answer questions that came up. Of course, this enrolment into the social networks that we study is also a common tension with ethnographic research (Parry, 1998). Although it was, at times, challenging to negotiate the boundaries of these professional and collegial relationships, these contacts were ultimately critical for access because they were more willing to vouch for me inside their companies, tell me whom to contact for specific purposes, and offer more candid perspectives. I also retain a stronger sense of ethical accountability to them in terms of trying to be very judicious in the extent to which I asked for research favors, ensuring that what I asked of them would not put their own reputation at risk, and giving them an opportunity to provide feedback on publications after acceptance but before final publication.

As a result, however, I have struggled with how to balance my ethical obligations to key contacts within the industry and my desire not to get black-listed for future research with the constraints that places on me in terms of selecting material to write about and framing my analysis. In the end, I decided that there was sufficient material that I had gathered that could speak to academic debates in interesting and provocative ways that was also not so controversial that it carried higher risks for my established networks in Sri Lanka and my long-run research goals. In addition, I strove to be critical in my analysis throughout, while also trying to remain constructive and attentive to
nuance. Finally, I decided that because so little research has focused on suppliers and managers, there is great value in sharing my perspective on their struggles, ambitions, and social worlds. In the end, this is a partial endeavor with clear limitations, but my hope is that it will shed light on the politics and nuances of ethical trade and upgrading.

A second ethical dilemma that I struggled with was my discomfort with aligning myself with “capital” (in its various embodiments in Sri Lanka and elsewhere); and, yet, how much I also found myself, at times, identifying and empathizing with their perspectives and justifications for decisions that, from the outside, had at first seemed short-sighted or selfish. There were other times that I was deeply impressed, surprised, and inspired with what I saw in some of factories—in a positive way. For example, I once met relatively junior-level, blue collar man who was a warehouse manager, who could not hide his gushing excitement about all of the elaborate ideas he had come up with and implemented himself for re-arranging and re-designing the warehouse. It was challenging for me to acknowledge my reaction while also retaining a critical perspective so that I could gather all the information that I could. This ambivalence occurred not only when I was on-site, but also as I listened to the interview transcripts, and I experienced it across the entire spectrum of participants. It was puzzling for me when the perspectives of the participants were opposed to each other and yet somehow both positions seemed to make perfect sense. I incorporate these moments into my analysis by trying to understand the logic of a given position, how it differed from the logic on the other side, and considering how those different logics can inform my understanding of power dynamics, management ideologies, and organizational structures.
1.6 Outline of chapters

Following the introduction, Chapter Two situates the ethical apparel initiatives in Sri Lanka in the context of shifting global patterns of apparel trade, sourcing strategies, and ethical initiatives. I trace the ongoing re-articulation of these debates through different phases of trade liberalization. My aim is to emphasize that despite the discourses of standardization and convergence, conceptions and practices of ethical trade are increasingly competitive with each other, customized to specific buyers, and aligned with lean retailing logics. I argue that this also has consequences for the organization of national industry sectors. Chapter Three traces the rise of the garment industry in Sri Lanka and how it has responded to the dual shocks of quota phase-out and global economic crisis. I show how the Sri Lankan garment industry consciously chose a variety of competitiveness strategies that were predominantly focused on upgrading in various ways to become a knowledge-oriented, ethical apparel hub for the region. At the same time, I also document how this strategy was accompanied by a dramatic period of industrial consolidation and restructuring.

Each of the subsequent chapters (Four, Five, and Six) provides a case study of an ethical apparel initiative in Sri Lanka from a different scalar perspective. Chapter Four focuses on the national and sectoral scale. It situates the rise of the apparel industry in the broader context of post-colonial development in Sri Lanka and addresses the question of why an industry-led effort emerged to brand the country as an ethical sourcing destination—the Garments Without Guilt program. I argue that Garments Without Guilt emerged not only as a response to buyer-driven demands, but also as a response to local and national articulations of ethical concern about globalization and Western incursion. I
also show that the certification (standardization) aspect of this initiative has been difficult to sustain and unevenly adopted in the sectoral landscape.

Chapter Five turns to the buyer-supplier dynamics of Sri Lanka’s efforts to establish global reputation for ethical manufacturing. It focuses specifically on strategic partnerships with the British retailer Marks and Spencer (M&S) to build a series of model eco-factories—environmentally friendly apparel plants. I investigate how and why these factories were built and for whom there was a “business case” for environmental upgrading. I argue that a “business case” for environmental upgrading is limited by the lack of mechanisms for ensuring that suppliers can obtain a return on their investments and, therefore, that uneven power dynamics in GVCs constrain suppliers’ abilities to capture the gains from environmental upgrading.

Chapter Six examines the everyday management-labor dynamics of upgrading and women’s empowerment initiatives in Sri Lanka, drawing on the dis/articulations perspective and feminist methods that see management discourses as tools of interpellation that configure systems of power. I examine how managers are re-articulating worker subjectivities, restructuring the labor process to organize consent, and selectively mobilizing “Sri Lankan” culture to legitimate a shift to flexible production. I argue that value is not only produced through inter-firm or firm-state relations, but also determined by the labor process as it is shaped by legacies of colonialism, persisting hierarchies, and the everyday reproduction of social difference. This research suggests that upgrading cannot be reduced to an economic logic and that it does not guarantee sustained global competitiveness or more egalitarian development.
Chapter Seven summarizes the main findings of the research and links them back to the objectives stated earlier. The chapter synthesizes the previous chapters to re-think ethical trade, connect the commodity chain literatures with relational economic geography, and conceptual management knowledges as ideas-on-the-move. I show how my findings offer new insights into the dynamics of power and governance in global production networks, upgrading, and ethical trade.
CHAPTER TWO: 

Ethical trade in an era of crisis 

The florescent lighting illuminated the brilliant red, swooshed shoes of the Nike spokeswoman as I looked up from a banquet table at the International Finance Corporation (IFC) in Washington, DC in 2011. It was a conference about improving the conditions of work in the global economy. Seated around me were academics, representatives from the World Bank, the United States (US) Department of Labor, and the International Labour Organization (ILO), as well as staff from international labor rights organizations and consumer activist groups. The room was quiet with anticipation as she approached the podium to deliver the keynote address. She was one of the few representatives present from a multinational clothing brand or retailer.

She spoke about a shift in the approach to corporate social responsibility (CSR) at Nike, which she called a “rewire.” This involved restructuring the organization to integrate CSR with the core business functions, rather than keeping it institutionally separate. She said it came about from a realization that, “Without workers’ rights, profitability is at risk,” explaining that because supply chains are increasingly volatile, it is necessary to account for “hidden costs” such as labor turnover or energy costs. In this way, she presented a Nike that was pioneering, advancing beyond stale ethical trade debates about the inadequacy of codes and monitoring for getting suppliers to be compliant. This was Nike’s new four-pronged agenda: “lean, green, equitable,
empowerment," which emphasizes aligning all of these goals. It is not only Nike that has been talking about “new” approaches to private governance in global supply chains—these discourses have taken ethical trade, CSR conferences, and multi-stakeholder debates by storm, with labels such as “ethical trade 2.0,” “win-win,” or “business case” CSR (Carroll and Shabana, 2010; BSR, 2007; Hughes, 2012; Porter and Kramer, 2006).

This chapter investigates the rewire in ethical trade, examining how the back-to-back shocks of quota phase-out (1995-2005) and global economic recession (2008-2009) changed the institutional landscapes of globalization and, therefore, shaped the priorities and practices of ethical trade initiatives in the apparel industry in significant ways. In doing so, my aim is to position the Sri Lankan ethical initiatives in the context of broader changes that are occurring in the global economy and in global governance regimes. Overall, my research confirms and supplements a growing body of literature, which finds that this dual crisis has strengthened the emphasis on lean retailing (often referred to as “fast fashion” criteria) and has led to dramatic consolidation in global apparel production networks (Abernathy, et al., 1999; Gereffi, 2013; Hughes, 2012; Pickles and Smith, 2011; Ruwanpura and Wrigley, 2011; Staritz, 2011). More broadly, the global economic crisis has led to an acceleration and de-centering of global political and economic power with the rise of emerging markets, especially China and India (Gereffi, 2013; Kaplinsky and Farooki, 2011).

I found that these global dynamics of crisis and instability have shapes ethical trade in two key respects. First, these dynamics are affecting the institutional organization and funding structures of ethical trade, particularly in the epicenters of the NGO-buyer “ethical complex” (Freidberg, 2004: 513) in Western Europe (Hughes, 2012). Second,
the priorities of ethical trade are shifting (in contested ways) from a focus on worker’s rights, compliance, and monitoring to a focus on win-win/ business case CSR, advisory services (e.g., productivity enhancement programs), and environmentally friendly initiatives. I argue that ethical trade is increasingly folded into lean retailing strategies with market-oriented characteristics of buyer-specific customization (differentiation), image-enhancing showcase projects, and competition between ethical trade regimes rather than “raising the floor” generally and promoting universal standards.

Section 2.1 summarizes the origins of the ethical trade movement, the rise of private monitoring and compliance systems, and the critiques of those systems. Section 2.2 describes the two global-level shocks that have occurred in the global apparel trade dynamics over the last decade. Section 2.3 investigates how apparel sourcing has changed in this environment, specifically focusing on changing trade patterns and the intensification of lean retailing and fast-fashion sourcing logics. Section 2.4 analyzes how this changing global context has shaped the institutional structures and priorities of ethical trade. The chapter concludes with a reflection on how these changes speak to broader debates about globalization and governance, returning to my big-picture claim about the need to de-center the concept of governance in GVCs.

2.1 Ethical trade: the early years, 1996-2005

In the mid-1990s, consumer activists, workers’ rights organizations, environmental organizations, and other ethical trade organizations in the US and EU led a counter-movement to globalization, condemning practices such as child labor and unsafe working conditions. They called for the implementation of international labor and environmental standards and corporate accountability (Bendell, 2004; Dicken, 2007;
Klein, 2002). Because this counter-movement framed the problem as a “governance
deficit” and a “race to the bottom,” the solution was framed as an effort to “raise the
floor,” to promote universal standards, and to hold multinational corporations responsible
for practices in their supply chains (Gereffi & Mayer, 2006; Mayer & Pickles, 2010;

From the mid-1990s to the mid-2000s, a new set of new institutions and
relationships—what Freidberg (2004: 513) calls an “ethical complex”—developed
between NGOs and buyers in response to widespread concern in major consumer markets
about sweatshops, outsourcing, and unregulated globalization. Some of these
engagements were collaborative, such as multi-stakeholder initiatives; while others were
antagonistic, such as the name-and-shame activist campaigns. A diverse set of privately
led compliance codes and monitoring systems (hereafter “compliance”) soon became the
dominant approach to dealing with problems such as child labor, poor working
conditions, and environmental contamination (Nadvi, 2008; O’Rourke, 2003; Pearson &
Seyfang, 2001). Many buyers created new CSR divisions within their companies that
were tasked with implementing compliance and promoting a more “ethical” brand. Over
time, there was a proliferation of ethical initiatives of different kinds, including
certification schemes (e.g., WRAP, fair trade, organic), multi-stakeholder projects (e.g.,
Ethical Trading Initiative, Fair Labor Association), and independent third-party watchdog
programs (e.g., ActionAid, Clean Clothes Campaign, Oxfam, Workers’ Rights
Consortium, Women Working Worldwide) (Esbenshade, 2004; Nadvi and Waltring,
2004; O’Rourke, 2003). In addition, a new industry arose in the early 2000s that was
comprised of ethical trade consultancy firms, auditors, and compliance “experts,” such as Impactt, Verité, Social Accountability International, and SGS (Hughes, 2006).

Fifteen years of implementing compliance have resulted in important gains in areas such as health and safety and, additionally, have provided valuable learning opportunities about ethical practices among buyers and suppliers (Jenkins, 2002; Barrientos & Smith, 2007; Mamic, 2003). Nevertheless, there are still crucial challenges. In particular, the impacts of compliance have been highly uneven (Barrientos & Smith, 2007; Jenkins, 2002; Ruwanpura and Wrigley, 2011); workers are often unaware of the compliance codes and, even so, the codes often lack clarity, transparency, and independent monitoring (Locke, et al., 2007; O’Rourke, 2003; Jenkins, 2002; Barrientos & Smith, 2007). Moreover, downward competitive pressure on unit prices in apparel has resulted in buyers squeezing suppliers such that suppliers are often asked to do more in terms of compliance and get paid less for orders (Barrientos, 2013; Oxfam, 2004; Ruwanpura and Wrigley, 2011). NGOs specifically criticized buyers because they frequently used fragmented and complex sourcing strategies to evade accountability, applied their market power to get lower prices while also demanding higher compliance, and failed to incentivize improved compliance (Barrientos, 2013; Esbenshade, 2004; O’Rourke, 2003; Oxfam, 2004). Considering these mixed results and with competitive pressure increasing from quota phase-out, many CSR and ethical trade stakeholders called for going “beyond monitoring” and addressing the “root causes” of noncompliance in the mid-2000s. They experimented with a wide variety of new approaches to CSR, which are analyzed in more depth in section four (BSR, 2007; Impactt, 2012; Nike,
The next section provides more background on the two crises that affected general apparel trade dynamics and ethical trade, more specifically.

### 2.2 Unstable political economies of global apparel trade

It is important to situate the dynamics of global apparel sourcing and ethical trade initiatives in the broader context of macro-economic and geopolitical change. At a broad level, the global economic recession, which Kaplinsky and Farooki (2011) have called the “great trade collapse,” has accelerated a shift towards much more multi-polar dynamics of economic and political power—the rise of emerging markets (Gereffi, 2013; Kaplinsky and Farooki, 2011; Staritz, 2011). In fact, some claim we have reached an era of post-Washington Consensus (Gereffi, 2013), although many features of the neoliberal world order remain deeply entrenched. What does seem clear is that the post-World War II hegemony of Euro-American power (as institutionalized through the Bretton Woods multilateral development organizations) is now significantly under threat by the rise of other regional economic powers and their growing financial, domestic market, and infrastructural prowess—especially in Asia (namely China and India), and to a lesser degree Russia, Brazil, and South Africa (Gereffi, 2013).\(^{17}\) This is especially relevant to Sri Lanka due to its proximity to India and strategic importance for both China and India.

This de-centering of global power has multiple effects, not merely in a quantitative sense on the locations of global flows of consumer goods, but also qualitatively on the networks of coordination, power, and economic development. For

\(^{17}\) Indeed, even the phrase “global recession” is not entirely accurate because of continued growth in emerging markets during the 2008-2009 (Staritz, 2011).
example, within GPNs, the rise of very large intermediaries headquartered in Asia, such as Li & Fung, is shifting the bargaining power within buyer-supplier relationships (Appelbaum, 2008; Gereffi, 2013). These geopolitical shifts also increase the capacity of individual nation states (including Sri Lanka) to obtain development financing for major infrastructure projects without having to adhere to the standards and stipulations imposed by Bretton Woods institutions (e.g., the World Bank, International Monetary Fund, United Nations). This means that geopolitics is increasingly important in shaping the geographies of development and, more specifically, the dynamics of GPN governance (Glassman, 2011). The international regulatory frameworks for trade, which are key mechanisms for deploying transnational geopolitical authority, have undergone significant change since the early 2000s. The next section summarizes the dynamics of regulatory change in global apparel trade.

### 2.2.1 Trade liberalization

Historically, apparel has been one of the most heavily protected industry sectors, through the global quota system set up through the Multi-Fibre Arrangement (MFA) in the 1970s and through high tariffs and duties (Gereffi, 2013; Staritz, 2011). Even though neo-liberal ideologies about lowering trade barriers have been hegemonic for some time, trade in the textile and apparel industries remained protected under MFA quotas for over thirty years (Nördas, 2004; UNCTAD, 2005; USITC, 2004). One of the main reasons for this was to protect domestic industry sectors and unionized jobs in the United States and Europe, including the cotton industry in the US that had a strong lobby in Washington.

World Trade Organization (WTO) members negotiated the phase-out of the MFA in the Uruguay Round, through the Agreement on Textiles and Clothing, which stipulated
a phase-out process from 1995 to 2005. In practice, however, the brunt of product categories that affected apparel imports were not eliminated until 2005, or after because safeguards were placed on particular product categories until 2008 (Abernathy, et al., 2006). The quota system also protected several smaller producing countries, including Sri Lanka, from the economies of scale and abundant labor supplies in places like China and India. Therefore, quota-phase-out provoked intense anxiety in those countries.

With quota phase-out on the horizon, it was widely predicted that the global “race-to-the bottom” in the apparel industry would accelerate, smaller-scale producing countries would become uncompetitive, and China would gain over half of the world’s market share for apparel exports (Appelbaum, et al., 2005; Gereffi, 2003; Knappe, 2003; Nordäs, 2004; USITC, 2004). This led to the emergence of the “Specter of China” discourse in global apparel GVCs in the early 2000s (Pickles and Smith, 2011), which is the widespread fear that China’s success would obliterate the industry in many other countries that were heavily dependent on apparel for jobs and livelihood. It was this threat that stimulated the Sri Lankan apparel industry to come together and promote the strategic competitiveness of Sri Lankan apparel after quotas by upgrading (see Chapter Three).

At the same time, other scholars believed that the effects of quota phase-out would be more nuanced (Abernathy, et al., 2006; Pickles, 2006). In particular, they argued that quota-phase-out was not a de-regulation but a re-regulation of trade, meaning that they expected other institutional arrangements and networks to play a larger role in shaping the global geographies of apparel production and sourcing. They predicted that regional trade agreements; regional production networks; buyer sourcing strategies;
supplier capacities; tariffs and trade preference systems; and state policies would play a larger role in apparel sourcing geographies than before the MFA phase-out (Abernathy, et al., 2006; Bair, 2006; Pickles, 2006; Tewari, 2006). At its core, this argument was based on the notion that quota phase-out would change the costing structure of apparel GVCs, such that the direct costs (such as labor and fabric) would be balanced out by higher variability in policy and logistical costs (Abernathy, et al., 2006). In other words, they felt buyers’ sourcing logics would not be driven by the cheapest labor cost alone, so they would seek out suppliers with higher capabilities for demand management and just-in-time production. This was the rise of lean retailing and “fast fashion,” which is analyzed in more depth in section three, along with a summary of trade patterns.

The main forms of protection that remain in the apparel industry are the tariffs and duties imposed by importing countries, which are actually among the highest of all manufacturing goods (Staritz, 2011). The average most-favored nation (MFN) tariffs on clothing are 10.8 percent for the US and 11.5 percent for the EU, with high variation between product categories (ibid.). Therefore, preferential trade programs continue to have an important effect on sourcing geographies and market access. Trade preference systems take a variety of forms, including regional trade agreements, multilateral and bilateral trade agreements, preferences for least-developed countries, and generalized system of preferences (GSP) programs (which apply to almost all “developing” countries). The US GSP program has very low coverage for apparel products, so it is not very influential in apparel trade patterns. However, the EU offers a GSP scheme with high apparel product coverage that reduces tariffs for all developing countries (except Myanmar) by 20 percent (Staritz, 2011; Wijayasiri, 2007). The EU also offers GSP+
benefits to fifteen countries, which allows duty-free access to EU markets for “vulnerable” countries that have ratified and implemented 27 core United Nations and ILO conventions on human and labor rights (Wijayasiri, 2007).

Sri Lanka currently does not benefit much from trade preference systems. The South Asia region is among the least integrated trade regions in the world (Tewari, 2008), with intra South Asian Association for Regional Cooperation (SAARC) trade of only 5 percent (Staritz, 2011). There have been numerous attempts to establish trade cooperation and free trade agreements, but intra-SAARC textile and clothing trade continues to incur very high import tariffs—on average 34.2 percent for India, 37 percent for Nepal, 31.6 percent for Bangladesh, and only 1.9 percent for Sri Lanka (as cited in Staritz, 2011). Although there is potential to become a world hub region in textiles and clothing, so far the level of intra-regional trade barriers and regional infrastructure linkages have impeded this from occurring (Tewari, 2008).

Sri Lanka enjoyed duty-free access under GSP+ concessions from the EU from 2005 to 2010, which some argue contributed to the growth in apparel exports to the EU-15 market (Staritz and Frederick, 2012). However, Europe refused to renew GSP+ in 2010, citing violations of human rights in Sri Lanka in the run-up to the end of the civil war in 2009. Against the predictions of many observers, the loss of GSP+ did not significantly affect Sri Lankan apparel exports to the EU-15. The Sri Lankan government has used these events to claim its increasing independence from Western regimes of authority and to assert the strength of its alliances with the rising powers in Asia. Sri Lanka still benefits from the EU GSP, but utilization rates are historically low due to rules of origin restrictions—only 28 percent in 2004 (Wijayasiri, 2007). Therefore, even
though the Sri Lankan apparel industry has historically benefited from global regulatory regimes, especially MFA quotas and GSP+, today the sector generally lacks the preferential market access and regional integration that some of its competitors enjoy.

2.2.2 The global economic crisis

Although the quota phase-out was long in the planning, enabling industries and governments to prepare for it, the global economic crisis of 2008-2009 came with no such forewarning. Many transnational retailers going into 2008 were heavily invested in international finance markets and predominantly oriented towards the American and European consumer markets (Hughes, 2012). Therefore, the global economic crisis struck the apparel industry very hard (Gereffi, 2013; Staritz, 2011). In fact, the great trade collapse caused a “bullwhip” effect upstream in supply chains—meaning that intermediate traders were even more affected than final goods suppliers (Altomonte et al., 2012; Gereffi, 2013). The global economic crisis led to declines in consumer demand, over 11 million job losses (MFA, 2009), increasing downward pressure on prices, and an accelerated shift to new end markets (Hughes, 2012; Gereffi, 2013; Kaplinsky and Farooki, 2011; Ruwanpura and Wrigley, 2011; Staritz, 2011). Many retailers struggled with declining revenues, increased inventory, discount sales, and lower cash flows (Hughes, 2012). However, others were able to maintain profitability and even offered financial support to floundering suppliers (Hughes, 2012; Gereffi and Frederick, 2010). This led to consolidation among retailers, including mergers, acquisitions, and downsizing (Gereffi, 2013; Staritz, 2011).

From a supplier perspective, the crisis led to price-squeezing from buyers, delayed payments and a wave of cost-cutting measures, including layoffs (Ruwanpura
and Wrigley, 2011; Staritz, 2011; MFA Forum, 2009). In addition, the rising price of oil, fluctuation in currency exchange rates, and unstable input prices (e.g., cotton fabric) introduced more uncertainty and risk into global apparel value chains at the same time that access to finance capital decreased dramatically. Small and medium sized enterprises (SMEs) especially had a difficult time. As a result, apparel industry sectors around the world rapidly consolidated; and, like in Sri Lanka, SMEs were most heavily affected (Staritz, 2011). Anxieties rippled through the apparel industry. In Sri Lanka, apparel managers reported that buyers were moving orders to lower cost destinations more frequently despite their ethical trade strategy (Ruwanpura and Wrigley, 2011).

Taken together, the effects of quota phase-out and global recession indicate that the dynamics of globalization itself are transforming in highly complex ways (Gereffi, 2013). It is no longer sufficient to conceptualize globalization as a process of unconstrained West-to-East outsourcing of production. New and more de-centered geographies of risk, scarcity, regional integration, and political power are impacting the spatio-temporal logics of capital mobility in significant ways and, ultimately, shaping governance in apparel GPNs around the world. The next section examines how these shocks shaped buyer sourcing logics and trade patterns.

2.3 Post-quota and post-crisis apparel sourcing geographies

The dual shocks of quota phase-out and the global economic crisis have changed the normative way that buyers decide where and how to place orders and what kind of supplier to source from. US and European retailers, such as H&M, Next, and Nike, are increasingly adopting the “fast fashion” sourcing principles of just-in-time production (pioneered by Zara in the late 1990s) in their value chain management (Plank, et al.,
2013; Tokatli, 2008). Just-in-time emphasizes small batch production, demand management, quick changeovers, and efficient inventory management (Plankey-Videla, 2012; Tokatli, 2008; Womack, et al., 1991). Even though the sourcing logic draws heavily from fast fashion practices, I refer to this shift as a trend towards lean retailing more broadly (Abernathy, et al., 2006; Pickles and Smith, 2010), because it is also occurring in product lines that are not as fashion sensitive. This is an important distinction for Sri Lanka because it is not close-to-market and it is not highly fashion-oriented (it focuses on replenishment and seasonal apparel production: Ruwanpura and Wrigley, 2011), yet its value chains are still increasingly driven by fast fashion logics. Therefore, lean retailing, in this context, refers to a general pattern whereby buyers are partnering with fewer, highly capable suppliers and ordering in smaller batches so that they can maximize efficiency in the supply chain overall (Staritz and Frederick, 2012; Gereffi, 2013), reducing inventory risk (by shifting it to suppliers) and responding to changes in demand without compromising profitability.

To be more specific in terms of what lean retailing logics actually prioritize, it is characterized by a complicated set of considerations in sourcing decisions. Buyers’ sourcing strategies once focused mainly on production costs, reliability, and quality, but now they include additional criteria such as faster lead times, social and environmental compliance, design capability, and inventory management (Plank, et al., 2013; Staritz, 2011). It has also led to the rise of large intermediaries and first-tier suppliers who take on additional functions and allow buyers to shift the burden of risk down the value chain (Appelbaum, 2008). The Sri Lankan apparel industry has been explicitly trying to transform itself into one of these “full service” manufacturing hubs (JAAF, 2002).
Increasingly, buyers have also engaged in capacity building with strategic partners, consolidated their supply chains, and encouraging suppliers to adopt lean production methods (Plankey-Videla, 2012; Womack, et al., 1991). For example, Gereffi (2013) reports that buyers are reducing their regular supply base from 300-500 suppliers to 25-30. These changing sourcing priorities, along with other factors, have led to some dramatic changes in the geography and institutional organization of apparel production, which are summarized in the next section.

### 2.3.1 Trade patterns for apparel

The most pronounced change in apparel trade geographies is the shift to China, although it was predicted to be even more extreme than it has been (USITC, 2004). Following quota phase-out in 2005, China’s share of world apparel exports increased from 23 percent in 2003 to 41 percent in 2011.18 As detailed in Table 4, other countries that have increased apparel exports in the post-quota era include Vietnam, Indonesia, and Bangladesh (Gereffi and Frederick, 2010). Meanwhile, Mexico and Central America (NAFTA and CAFTA-DR regions, except for Nicaragua) and the sub-Saharan African region have declined precipitously since 2005 (ibid.). The overall dynamic in apparel trade (for both the US and EU markets) is an increase in market concentration at the very top, for China (see Figure 4). In 2000, Sri Lanka ranked 17th among the countries supplying US apparel imports and had a market share of 2.5 percent. In 2010, its rank improved to 12th, but the market share decreased to 1.7 percent.

18 Author’s calculation based on UN COMTRADE data, adding import flows of HS codes 61 and 62 (as reported) from partner codes 0 (world) and 156 (China), and using reporter code 12398 (world aggregate), http://comtrade.un.org/db/ (accessed 1 September 2012).
Figure 4: US Apparel Imports, 2000 and 2010

Source: United States International Trade Commission, 2011. Author’s calculations are based on the sum of HS codes 61 and 62.
Table 4: World exports of Apparel in US$ Billions (SITC 84)

<table>
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<tr>
<th>Rank</th>
<th>Name</th>
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<th>Change from previous year</th>
<th>2005</th>
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<th>2008</th>
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<th>2011</th>
<th>Change from previous year</th>
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<td>25.6%</td>
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</table>

Source: UN COMTRADE, SITC 84. Shares and change calculated by author.

(a) World totals are estimates, because not all countries have reported for all years (especially 2010 and 2011).
(b) Values include intra-EU trade for EU-15 countries.
(c) Bangladesh figures were only available up to 2007. Data for 2008 and 2009 are from the Bangladesh Bureau of Statistics, Statistics and Informatics Division, Key Findings of Foreign Trade Statistics 2009-2010, Available from: www.sid.gov.bd/statistics (accessed 7 April 2013). Figures converted from Tk to USD on last day of relevant year, using oanda.com.
The figures for 2008 and 2009 in Table 4 confirm the assertion that the global economic crisis resulted in a significant shock to apparel trading patterns; however, the data also suggest a post-crisis recovery. Although the figures for Bangladesh should be interpreted with caution because a different source was needed for 2008 and 2009, Bangladesh appears to have done better than any other major apparel producing country in 2008. This confirms other reports of a shift to lower-cost destinations. Sri Lanka fared better than most countries as well, however, which is a contradiction to the low-cost trend given that it does not compete on cost alone. Hong Kong, Turkey, Thailand, Mexico, and the US appear to be losing ground as a share of world apparel exports, while India appears to be fluctuating. China, Indonesia, and Vietnam have been on a steady pattern of growth that was interrupted during the crisis years but then recovered since then. These patterns suggest that Sri Lanka is among a very select group of countries that is coming out of the dual shock of quota phase-out and global economic crisis with relatively high stability and growth. The reasons why a higher-end producing country was able to be so robust to external shocks are explored in more depth in Chapter Three. The next section turns to my field research in Europe and the US to analyze how these changes and patterns have shaped the priorities and practices of ethical trade.

2.4 The ethical trade re-wire: organizational and conceptual shifts

The opening vignette of this chapter, in which Nike positions itself ahead of the curve with its ethical trade “re-wire,” illustrates some of the broader changes that are underway in the institutional and conceptual landscape of ethical trade. What it signals is not only that the normative approaches to ethical trade are moving beyond compliance
and aligning more closely with core business practices (“win-win”), but also that it is increasingly important to use ethical trade as a differentiation and lean retailing strategy—to demonstrate leadership, reduce risk, and increase efficiency. In this section, I triangulate my research in Europe and the United States with another study that examined changes in ethical trade after the global recession of 2008-2009 (Hughes, 2012). First, I analyze my findings about how the institutional organization of ethical trade is changing. Then, I examine how the priorities of ethical trade are shifting. Taken together, this evidence suggests that the dynamics of ethical trade governance are changing in fundamental ways, becoming less about standardization or “raising the floor” and more incorporated into lean retailing strategies with the market-oriented characteristics of differentiation, customization to buyer-specific preferences, and symbolic sourcing.

2.4.1 Restructuring of the ethical trade complex

Since the beginning of the ethical trade movement in the 1990s, NGOs have played a key role in both putting pressure on buyers to change their supply chain practices, defining the discourses and priority areas of ethical responsibility, and also setting up alliances through multi-stakeholder initiatives. This means that ethical trade and CSR programs are not merely buyer-driven in the sense that buyers self-govern without disruption and contestation. Instead, ethical initiatives are a product of ongoing ethico-political struggle in the ethical complex between various kinds of NGOs and buyers, although the active engagement of suppliers and workers from the Global South in these debates is remarkably low. In this sense, the ethical complex has Euro-centric tendencies. Both the buyers and the key ethical trade NGOs are geographically
concentrated in Western Europe (especially in the United Kingdom and the Netherlands) and the US.

There are important differences between the US and EU ethical complexes. While the US ethical complex is more narrowly concentrated in specific retailing segments (clothing) because of its origins in campus-based anti-sweatshop movements, the EU the ethical complex engages a broader audience of consumers, covers several industry sectors, and is buttressed by more government funding (Hughes, et al., 2007). This section is primarily based on interviews in the United Kingdom (UK), the Netherlands, and Geneva, so it speaks more to European dynamics than those in the US.19

As one informant from the EU described to me in Amsterdam in the fall of 2010, the ethical complex in the 1990s consisted of a small set of organizations that had a relatively clear division of labor. Organizations like the Workers’ Rights Consortium and the Clean Clothes Campaign focused on sounding the alarm—publicizing scandals and naming-and-shaming particular corporations such as Nike or Gap. Meanwhile, the multi-stakeholder organizations generally took a more collaborative approach, working in partnership with buyers to establish certifications, factory inspection systems, pilots, and continuous improvement processes (with different organizations concentrating on each of these functions). Alongside these NGO activities, an industry of consultancies arose to carry out factory monitoring (Hughes, 2006).

The informant then described how this has changed, saying, “In the 2000s, everyone started doing everything, and it is difficult to distinguish between who is doing

19 I did conduct interviews and observe ethical trade conferences in the US, but my research was more extensive in Europe.
real work and who isn’t. There are many cover up programs.” As new certification and social labeling schemes entered the fray, buyers started “code shopping,” abandoning one of the more comprehensive initiatives for another that had lower requirements. For example, at a conference on social labeling conference in Newcastle in 2010, participants hotly debated the emergence of what they called “fair trade lite”—a series of new fair trade certifications, such as Rainforest Alliance and Transfair, that were pulling buyers out of more robust and established ethical initiatives, creating small “ethical ghettos” in the buyer’s product lines while the rest of their supply chains remained unchanged. Another participant described the ethical complex in a conference presentation as “Kabuki theater, with people flying to seminars, writing reports…” to create a performance of ethical conscientiousness. “Codes [have been] reduced to a lubricant for business as usual,” he said. Many other participants commented on this competitive, performative dynamic between initiatives and schemes as well.

A second major change in the institutional dynamics of the ethical complex is a change in the underlying funding structure (Hughes, 2012). In several countries in Europe, one of the reasons why the national ethical trade NGOs were so strong was because they were supported by a combination of charity donations and government funding streams (many also had funding from the private sector). With the onset of the global economic crisis, however, these funding streams began to dry up. Many ethical trade organizations had to re-evaluate and strategize about funding alternatives. This hit NGOs particularly hard. For example, the UK Department for International Development (DFID) withdrew funding for citizenship training in public schools in the UK. Because of a decline in membership and dwindling resources, the International Textile, Garment, and
Leather Workers’ Federation decided to merge with two other global unions. In addition, the Asia Floor Wage campaign, a living wage initiative with working groups in several countries, was not able to secure sufficient funding and struggled to keep up momentum. This funding pinch led to two new trends in ethical trade: an increase in private-sector influence over ethical trade programs as they began to fund them more (Hughes, 2012), and an increase in programs focusing on climate change (since there was more funding available for that than for labor rights initiatives).

The third and final major shift in the institutional organization of the ethical complex in Europe is the growth of the ILO/IFC Better Work program. Historically, the ILO has shied away from implementation efforts, focusing instead on establishing tripartite policies to promote international labor standards. However, after the Better Factories Cambodia program was declared a “best practice” in the early 2000s (Polaski, 2004; Wells, 2006), which was the first time that ILO got involved in factory auditing, the program was renamed and then expanded to seven countries and is backed with funding from several donor countries (including the US and the host countries). Around the time of my fieldwork, the head of the largest ethical trading NGO in the UK (Ethical Trading Initiative, or ETI) took a new position as the director of ILO Better Work. Many participants in my study said that this signaled an effort by ILO Better Work to increase its profile in the ethical trade debates. Some participants were glad to see this because they felt that the ethical trade NGOs had emerged in the first place due to a lack of international institutional responses to globalization and the expansion of GPNs. Therefore, in addition to the dynamic of increasing competition between ethical trade initiatives and the funding problems, the United Nations (UN) organizations appear to be
stepping up their involvement in supply chain governance. This is why I contend that the institutional landscape for ethical trade is undergoing a considerable amount of restructuring in the wake of economic crisis and quota-phase out, especially the NGO sector. The next section analyzes how the areas of emphasis in ethical trade programming have changed as well.

2.4.2 Shifting priorities: from standardization to competitive differentiation

As described in section one of this chapter, the early years of ethical trade focused on using compliance to remedy the problems of “governance deficit” and “race-to-the-bottom” that were triggered by globalization of production. As such, the priorities of ethical initiatives were overwhelmingly on labor rights and on establishing a universal standard across countries—often referred to as “raising the floor.” However, with growing evidence about the inadequacies of compliance, the onset of the dual shocks of quota phase-out and global recession, and the rise of lean retailing practices, ethical trade became dominated by a discourse of “going beyond monitoring” and widespread experimentation with new approaches to CSR (BSR, 2007; Locke, et al., 2007).

This section examines what beyond monitoring has actually come to mean, although it is important to note that compliance systems remain the most widespread CSR practice. I argue that the meaning of ethical trade is shifting in three key ways that are also congruent with the goals of lean retailing. It is increasingly focusing on a win-win, differentiation logic; it is less concerned with labor rights and more with environmental conservation; and buyers are engaging in what I call “symbolic sourcing”—the practice of placing a few orders in exceptionally nice, showcase factories, product lines, or even countries for the purpose of marketing an ethical brand image and
placing bulk orders in lower cost destinations (Ruwanpura and Wrigley, 2011). Even though the dominant discourses and priorities of ethical trade are shifting in these ways, it is also important to acknowledge that these shifts are also contested, especially by the more labor and activist-oriented ethical trade NGOs. These organizations continue to try to emphasize the importance of reforming buyer purchasing practices, living wages, gender hierarchies, and reaching the most vulnerable workers.

For many participants, the most notable trend in CSR was (along the lines of Nike’s rewire) an attempt to align business and CSR goals as a differentiation strategy, which is alternatively referred to as business case CSR, win-win, or ethical trade 2.0. “In recent times, the search for the ‘business case’ for CSR has accelerated and has come to mean the establishment of the ‘business’ justification and rationale, that is, the specific benefits to businesses in an economic and financial sense that would flow from CSR activities and initiatives” (Carroll & Shabana, 2010, p. 92). Within the business literature, the business case is articulated as an opportunity to gain competitive advantage by capturing shared value between business and society’s interests (Porter & Kramer, 2006; Orsato, 2006). These scholars argue that, rather than seeing CSR as a cost and a burden, companies should strategically pick a CSR approach that relates to their core mission and enhances their competitiveness through cost savings, brand enhancement, or both. Many business case CSR programs place a high emphasis on cost-saving management strategies such as productivity enhancement initiatives, environmental efficiency drives (especially to promote energy cost savings), and labor turnover reduction strategies. These often require increased capacity building and training of managers (“advisory services”), which is costly and most frequently paid for by
suppliers. Even the ILO Better Work program charges for its advisory services and audits, paid for by suppliers.

The second trend is the greening of CSR, which is explored in more depth in Chapter Five. With the rise of popular concern about climate change and the increasing scarcity of resources for labor rights NGOs, many NGOs have turned to better-funded environmental initiatives as a strategy to continue working on ethical trade. In addition, buyers, such as Wal-Mart, Marks and Spencer, Levi’s, and Nike, have launched large-scale environmental sustainability programs. Al Gore was the keynote speaker at the Business for Social Responsibility (BSR) conference in 2011—one of the most popular ethical trade conferences among buyers. Actually, the green trend is related to the business case logic, because buyers and NGOs are using the energy cost savings from environmental upgrades to convince suppliers that converting to eco-friendly manufacturing also makes business sense for suppliers (see Chapter Five). In the meantime, participants remarked that new labor rights NGOs are becoming increasingly rare and labor-focused initiatives (except for productivity enhancement programs) were hard hit by spending cuts. Therefore, it seems that the expansion of green-business-case CSR is resulting in a simultaneous scaling back of labor rights-focused initiatives.

The third and final trend in ethical trade initiatives is the increased use of symbolic sourcing practices. Sri Lanka’s ethical initiatives are a case in point, because not only did they pursue model eco-factories, which were intended as much for their iconic value as for their value as pilot learning endeavors, but the country as a whole has attempted to carve out an ethical niche for image-conscious buyers (see Chapter Four). Yet, managers in Sri Lanka reported feeling frustrated because buyers were selectively
placing a handful of orders in Sri Lanka because of its reputation, while the rest of their orders went to Bangladesh or other low cost destinations (Ruwanpura and Wrigley, 2011). Beyond Sri Lanka, the landscape of ethical trade has also been dominated by many attempts to demonstrate CSR leadership through “best practice” CSR programs, such as Gap’s community development programs in Mehwat, India. Although many of these “best practice” programs were part of the effort to experiment and pilot new ideas for going beyond monitoring, they also serve to shed a very positive light upon a company in a way that is not likely to be representative of that company’s manufacturing practices overall. Therefore, although some have argued that “high road” ethical initiatives in apparel represent an opportunity to pursue an ethical niche and improve competitiveness at the same time, symbolic sourcing practices suggests a danger that, in reality, buyers are not showing much willingness to invest more than token amount in ethical sourcing (especially during a global recession: Hughes, 2012). This may be how buyers are reconciling contradictory consumer demands for what Hughes (2012) calls “value-for-values,” the consumer’s desire to purchase ethically sourced goods that is accompanied by an unwillingness to pay more for them.

2.5 Conclusion

This chapter situates Sri Lanka’s ethical production initiatives in the broader context of trade liberalization and global economic recession, which have shaped the geographies of the apparel industry and ethical trade in significant ways. The dual shocks of MFA quota phase-out and the economic crisis have de-centered the long-standing Euro-American geopolitical hegemony, accelerated a shift towards Asian end markets in apparel, consolidated GPNs, and intensified the deployment lean retailing strategies and
fast-fashion sourcing priorities—even in non-fashion sensitive supply chains. Drawing on secondary sources and my own fieldwork in Europe and the US, I found that the ethical trade complex is undergoing several forms of organizational restructuring and that the priorities of ethical trade are also changing (albeit in contested ways).

Overall, these findings of organizational and conceptual changes in ethical trade programs can inform broader debates about ethical trade in several ways. Ethical trade is folding into the lean retailing logics that are now a major driver of apparel sourcing patterns, which means that these initiatives are becoming more targeted towards specific buyers and product lines. On the one hand, this may be a promising development in some respects because it means that the perennial institutional contradictions between buyer sourcing practices and CSR demands are partially resolved through a deeper alignment between business and CSR goals. On the other hand, the focus on efficiency and win-win strategies may also lead to much more narrow, competitive, and iconographic landscape of ethical initiatives, while other problematic practices are downplayed or ignored because they are not cost-saving or image-oriented enough (Blowfield, 2005). In general, it suggests that a market-led dynamic of competition and customized differentiation is beginning to take over ethical governance initiatives at the expense of labor-rights-focused programs that operate with a logic of raising the bar generally. This means that buyers desire higher-capacity suppliers that have the management capability to handle just-in-time production, efficient inventory management, and considerable volatility and risk in global markets. As a result, cultures of management and management training are shifting in the clothing industry to become more knowledge-oriented and focused on productivity enhancement.
These changes in the logics of sourcing and trade in the apparel industry also inform debates about upgrading in GPNs, particularly questions about the potential for upgrading to be a trajectory for global competitiveness in the clothing industry. The rise of lean retailing logics are increasing demand for higher capacity suppliers would suggest that upgrading to become one of these suppliers would open up opportunities for more stable buyer partnerships than the apparel industry has accustomed to over the last thirty years. Moreover, this would also suggest that the jobs in these high capacity supplier networks may also be of higher quality, with more resources devoted to limiting labor turnover, increasing workforce skills, and wages. However, at the same time, these patterns suggest that barriers to entry in the apparel sector are increasing, and many SMEs in Sri Lanka and elsewhere are finding it hard to stay competitive and survive in the highly competitive and volatile trading environment after quotas and the global economic crisis. This suggests that the notion that upgrading can lead to competitiveness may bear some truth, but also that competitiveness of a particular firm may also lead to the exclusion of many other firms—an increase in uneven development and consolidation globally.

Finally, this chapter can speak to debates about governance in GPNs as well. Specifically, globalization itself is getting more de-centered, geopolitically complex, and volatile. This means that firm-firm and firm-state governance within apparel value chains is occurring within a broader context of risk and instability, which buyers are attempting to push off to their supply chains. In some respects this may be increasing the bargaining power of first-tier suppliers and intermediaries that can handle taking on more coordination activities, meaning that some production networks are becoming less buyer-
driven, more efficiently coordinated, and more diversified in terms of end markets. Yet, in other respects, this instability may work against ethical trade initiatives that aim to improve the quality of work and increase access to worker entitlements (Plank, et al., 2013). As companies increasingly respond to the demand-management-oriented logics of fast fashion, does that mean, for example, that violations of excessive working hour limits will increase because it is harder to manage human resource needs with rapidly changing order quantities? Further research is needed to ascertain how lean retailing affects management cultures and practices among suppliers, and whether this is improving the well being of workers or not. The subsequent chapters offer an initial glimpse into this research terrain, starting with the next chapter, which focuses on how the Sri Lankan apparel industry came together to pursue a sector-wide industrial upgrading strategy that combined numerous forms of upgrading.
CHAPTER THREE:
Building A “Knowledge-Based” Apparel Sector

An innovative industry centre, Sri Lanka is located where east meets west, a global economic hub for logistics, trade, investment, communications, and financial services in South Asia. It is uniquely empowered to meet the needs of the fashion and apparel industry through its location, philosophy, and innovative drive. In an industry where hub-services are of increasing importance, Sri Lanka is a proven leader—it has elevated operations of the garment industry to that of a skills-based, knowledge-intensive undertaking.

-JAAF Advertisement in Just-Style, a leading apparel news website

The idea of having a knowledge-based apparel sector seems like a contradiction in terms. After all, apparel is well understood to have low barriers to entry because it is a labor-intensive industry with low fixed costs—all you need are a few sewing machines and warehouse to set up shop. As such, it has a long record of being a “jump-start” industry, a catalyst for development (Fernandez-Stark, et al., 2011). Yet, as the opening quote indicates, the apparel industry in Sri Lanka has decided that its most promising route to survival in an ultra-competitive trade landscape is quite the opposite. As early as 2002, industry associations decided to differentiate Sri Lanka as a hub of knowledge-intensive, full package, ethical garment production (JAFF, 2002). They subsequently

garnered significant public and private financial support to make a transformation from
an assembly to a full package producer of apparel.

This chapter documents this transformation and situates the overall vision of
creating a knowledge-oriented apparel sector in the broader dynamics of the Sri Lankan
export-oriented apparel sector. My aim is to establish two things. The first is to explain
how and why the development of management and workforce knowledge and skills
became a high priority in the sectoral competitiveness strategy overall. Understanding
this emphasis on human resources investments is important for setting up the analyses of
specific ethical trade initiatives that follow. Second, an uneven pattern of industrial
growth has accelerated after the decision to pursue a knowledge-oriented, high road
trajectory. I show how upgrading fits into the changing structure of the apparel sector, its
position in the global apparel division of labor, and its challenges for maintaining this
position into the future.

I contend that international trade dynamics, such as trade policy and buyer
sourcing patterns, alone cannot explain the current structure and global position of the Sri
Lankan apparel industry. The combination of well-organized industry associations, the
strong leadership and investments of very large firms, and a history of state investments
in education and industrial supports have all made it possible for the industry to grow
despite macro-level threats such as quota phase out, the removal of GSP+, and the global
recession. I argue that a de-centered understanding of governance is necessary to explain
this survival of an industry that was predicted to decline (Kelegama, 2006).

Nevertheless, this multi-pronged upgrading process has its share of contradictions. The
industry faces a pattern of dramatic consolidation, higher entry barriers, and a growing
labor shortage, which are all indicators of an ongoing crisis of overaccumulation (Harvey, 1989). Therefore, this pattern of increasingly uneven development threatens the long-term sustainability of the high road trajectory in Sri Lanka.

The chapter proceeds as follows: Section 3.1 reviews the origins of the export-oriented garment sector in Sri Lanka and highlight its position in the global apparel division of labor in the lead-up to the end of the MFA in 2005. Section 3.2 reviews the forms of intra-sectoral organization that galvanized in 2002 to address the impending threats to the industry’s global competitiveness. Section 3.3 analyzes the post-quota industrial geographies of Sri Lankan apparel, which reveal a bifurcated trajectory of upgrading and uneven development. Section 3.4 examines the various forms of upgrading and other competitiveness strategies that the industry has fervently pursued over the last ten years. Finally, the conclusion reflects on how the sectoral dynamics in Sri Lanka can inform understandings of upgrading and governance in GPNs.

3.1 Origins of the garment industry in Sri Lanka

Like most countries that adopted import substitution industrialization (ISI) policies in the post-colonial period, Sri Lanka had a relatively closed and highly protected economy until liberalization in the late 1970s. The apparel industry first started in the 1960s, but due to high trade barriers under ISI, it served only the domestic market (Kelegama and Wijayasiri, 2004). Starting in 1977s, the country embarked on a process of gradual liberalization (Round and Whalley, 2002), first through the establishment of special export processing zones (see Figure 5) and in the mid-1990s through a rural industrialization program (see Chapter Four for more detail). The apparel industry was the first and still is the dominant export-oriented industry in the country, making up 39.7
percent of total exports in 2011 (Central Bank of Sri Lanka, 2011). Until the MFA phase-out in 2005, it was bolstered in large part by the “quota advantage” as a small producing country (Kelegama and Wijayasiri, 2004).

**Figure 5: Export processing zones and industrial parks in Sri Lanka**

![Figure 5](image)

*Source: Board of Investment of Sri Lanka.*

The industry is geographically concentrated in the densely populated Western Province, near the capital and largest city of Colombo and the international airport. This is consistent with a broader pattern (see Figure 6). Roughly half of Sri Lanka’s gross domestic product comes from the Western Province alone, with the other provinces contributing less than 10 percent (Gunatilaka, et al., 2009). However, the government continues to incentivize the location of production facilities in rural and semi-rural areas (see Chapter Two), so the industry is dispersing somewhat throughout the island.
Recently, the government (with financing from China, India, and other sources) has implemented several large-scale infrastructure projects, including the country’s first expressway from Colombo to Matara (see Figure 7); improvements to existing rail, road, airport, and port systems; construction of large hydropower facilities; and the development of a new port in Hambantota. In addition, the government has also been investing in several efforts to promote economic development in the Northern and Eastern provinces, which were the areas that the Liberation Tigers of Tamil Eelam
(LTTE) formerly had control and which continue to experience high poverty, limited industrialization, and post-war trauma.

**Figure 7: Southern Expressway, opened in November 2011**

![Southern Expressway Map](http://www.rda.gov.lk)


The garment industry grew especially fast in the mid-1990s, reaching a peak of 1,061 factories in 2001 and peak employment of 340,367 in 2003 (Staritz and Frederick, 2012). By the late 1990s, the industry sector was 80-85 percent locally owned and highly concentrated among large firms (Kelegama and Wijayasiri, 2004). Compared to other garment producing nations, Sri Lanka’s workforce was relatively highly educated, which also helped the country develop and maintain higher labor standards (Knutsen, 2004; Ruwanpura and Wrigley). By this time, Sri Lanka had ratified all forty ILO conventions (Sivananthiran, 2009), and its history of labor movements has written relatively strong labor protections into the national regulatory framework, many of which still exist today (Jayawardena, 1972; Ruwanpura, 2012). Nevertheless, in the early 2000s, the apparel
sector remained a predominantly assembly-oriented industry with low productivity levels and few backward linkages (JAAF, 2002; Kelegama and Wijayasiri, 2004). Meanwhile, competitors overseas were shifting to full package production, higher productivity, and reduced lead times (Abernathy, et al., 2006).

The bombing of the international airport in 2001 during a flare up of the civil war (1983-2009), combined with the progressing MFA phase-out in the early 2000s, marked the beginning of long decline in the number of small and medium-sized enterprises (SMEs) in the sector. These declines and the impending threat of quota phase-out sparked a well-organized movement within Sri Lanka’s apparel industry. The next section shows how the industry galvanized to formulate a series of competitiveness strategies that were rooted in the notion of building a knowledge-based, ethical apparel niche in order to stay competitive.

3.2 Organizing a response to rising global competitiveness

As the apparel industry began to decline in the early 2000s, United Nations Industrial Development Organization (UNIDO, 2000) conducted a thorough study of the apparel industry’s readiness for MFA phase-out. Drawing on the sobering results of this study, the industry came together to form the Joint Apparel Association Forum (JAAF) in 2002. As an umbrella organization for several different industry associations, JAFF published a five-year plan in 2002 with the goal of strategizing ways of strengthening the industry to be successful beyond 2005 (JAAF, 2002). This report analyzed the industry’s strengths, weaknesses, opportunities, and threats (SWOT), presented strategic objectives, and laid out specific action plans. It highlighted the industry’s particular strengths in compliance with labor standards, a skilled workforce, quality, and a reputed customer
base (well-known, image-sensitive buyers such as Nike, Gap, Victoria’s Secret, and Marks and Spencer). In the analysis of threats and weaknesses, it pinpointed several areas that the industry and the government could strategically address. These included increasing productivity, improving awareness of global trends, developing backward linkages, creating a brand identity, enhancing infrastructure, reforming labor laws, and marketing the sector. Many of these strategies highlighted the importance of investing in human resources, workforce development, information technologies, and apparel industry related research and development. Therefore, this was the origin of the industry’s decision to move towards a knowledge-based industrial strategy (Wijayasiri and Dissanayake, 2009).

The strategic objectives of the JAAF five-year plan were:

- Increase turnover from $US 2.3 billion to $4.5 billion by 2007
- Shift from a “manufacturer” to a “fully integrated service” provider
- Pursue more “premium market segments” in the global apparel industry
- Specialize and build a reputation around specific product categories (active wear, casual wear, children’s wear, and intimates)
- Consolidate and strengthen the industry for MFA phase-out

The report declared the establishment of JAAF to facilitate the implementation of these objectives and action plans, as well as to identify funding mechanisms. They sought funding specifically to develop technological infrastructure, implement educational courses, hire consultants, and hire world-class lobbyists and negotiators. In addition, the report developed a targeted action plan for SMEs, which it acknowledged
were facing particular challenges due to estimates that 50 percent of the industry would close down as a result of quota dependence.

Over a decade later, it is clear that this moment of JAAF formation was a clear turning-point in the industry’s trajectory and represented what Wijayasiri and Dissanayake (2009) called an “organizational innovation.” As a testament to how influential these efforts were, the strategic initiatives have long outlived the five-year time horizon, and many of the action plans still continue in full force (e.g., infrastructure development, enhancement of backward linkages, establishment of training and research institutes). Basically, the formation of JAAF fundamentally changed how the firms interacted with each other and became a platform for collaboration that enabled the sector to speak with a unified voice (Staritz and Frederick, 2012; Wijayasiri and Dissanayake, 2009). As shown in the upgrading section later in this chapter, the industry and the government have made substantial progress towards several of the objectives. One of the most novel aspects of this effort was its emphasis on branding and marketing the industry at a national scale. The ethical branding project, Garments Without Guilt, under the brand name of “Sri Lanka Apparel” was a key component of this branding strategy and is the subject of Chapter Four.

However, I highlight two problematic components of the strategic plan. First, there is a contradiction between the goal to pursue an ethical production niche and the macro-level goals of reforming the labor laws—in almost all cases eroding labor protections. For example, the report states that the aim is to make it easier to terminate workers, remove the ten-hour limit on the working day, and that the industry is “opposed” to collective bargaining and freedom of association because of the “political
motivations” of trade unions (JAAF, 2002: 34-35). This section of the strategic plan reveals the negative consequence of excluding input from worker representatives, because it discounts and seeks to erode the basis upon which the industry established a strong reputation for compliance in the first place. Although the industry has not yet been extremely successful in its efforts to make labor laws more flexible, continued criticism for suppressing freedom of association and collective bargaining and the lack of living wages has threatened the legitimacy of the ethical branding efforts (Ruwanpura, 2012).

Second, of all of the priorities in the five-year plan, the action plan to assist SMEs was among the least successful. In the next section, I analyze how this played out in terms of the organizational structure of the industry after 2005.

3.3 The post-quota shakeout

Although the garment industry in Sri Lanka has weathered the post-quota and recessionary storms much better than expected, a closer examination of changes in the organizational structure of the apparel industry reveals an increasingly uneven development trajectory for the industry. As shown in Figure 8, Sri Lanka’s garment exports to the world have grown since 2005, despite predictions that exports would decrease by half (Kelegama, 2006). Sri Lankan garment exports were primarily destined for the EU-15 (51 percent) and US (36 percent) markets as of 2009, but the share of EU-15 exports has increased since quota phase-out (Staritz and Frederick, 2012). Sri Lanka’s export values have increased each year except between 2008 and 2009, and its share of global exports is relatively low, but stable at around 1.1-1.3 percent.
Employment in the apparel industry decreased substantially from 340,000 in 2003 to 273,600 in 2005; however, it has remained quite stable since 2005 (Staritz and Frederick, 2012). Kelegama (2009) asserts that the decline in employment was related to the quota phase-out’s uneven impact on SMEs, which employed 130,000 in 2003. Large firms were more equipped to cope with the loss of the quota advantage, having invested in a variety of upgrading and diversification initiatives that are described in more detail later.
### Table 5: Sri Lankan Apparel Export Values

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value ($, million)</td>
<td>3,083</td>
<td>3,368</td>
<td>3,602</td>
<td>3,819</td>
<td>3,538</td>
<td>3,729</td>
<td>3,961</td>
</tr>
<tr>
<td>Change from previous year (%)</td>
<td>3.7</td>
<td>9.3</td>
<td>6.9</td>
<td>6.0</td>
<td>-7.4</td>
<td>5.4</td>
<td>6.2</td>
</tr>
<tr>
<td>Share of world export values (%)</td>
<td>1.1</td>
<td>1.2</td>
<td>1.1</td>
<td>1.3</td>
<td>1.2</td>
<td>1.1</td>
<td>1.2</td>
</tr>
</tbody>
</table>


The Sri Lankan apparel industry’s product mix in the global garment industry has increasingly focused on higher value products, and the industry has had a long-standing niche in the production of intimate apparel (Staritz and Frederick, 2012; Knutsen, 2004). This was true in the garment factories in my sample as well, with the exception of one,\(^{21}\) which generally reported shifting away from basics and towards bras, camisoles, and other higher value products. The balance between knitted and woven apparel has also shifted from being over 72 percent woven in 1995 to approximately 50/50 in 2009 (Staritz and Frederick, 2012); however, the decreasing unit values in knits (and not wovens) mean that this shift has contributed to the downward trend in unit values overall (ibid.).

Unit values to the U.S. market declined from $64.50 in 2004 to $50.50 per dozen in 2009 (ibid.). Thus, even though unit values have increased to the EU-15 from €13.80 to €17.10 per kilogram (ibid.), the declining U.S. unit values have overshadowed this

\(^{21}\) This was a very different kind of factory, located in one of the former conflict zones of the country.
trend. The top products are predominantly made of cotton and consist of trousers, bras, sweaters, shirts, t-shirts, underwear, swimwear, gloves, skirts, jackets, and dresses (ibid.). Lingerie products (bras, underwear, and swimwear) account for almost a quarter of exports to the US and EU-15 in 2009 (ibid.). To illustrate this niche, Sri Lanka’s global share of brassiere exports to the U.S. has increased from 5.4 percent in 2000 to 6.4 percent in 2010, and its rank has improved from seventh to fourth (see Figure 9). This indicates that the JAAF goal to improve specialization in a small set of products has been achieved.

**Figure 9: United States Imports of Bras by Customs Value**

![Graph showing United States imports of bras by customs value for 2000 and 2010.](image)


Beneath the promising picture at the macro-scale and in some product categories, however, a series of more dramatic trends suggest that a process of industrial restructuring is underway. Although the apparel wage premiums in Sri Lanka are higher for the apparel sector than in the economy overall, they decreased after quota phase-out from 0.196 in 2002 to 0.05 in 2006, and the male-female wage gap in the apparel sector
increased from 40 percent to 55 percent (Savchenko and Lopez-Acevedo, 2012). This occurred despite the fact that apparel workers have 10.3 years of education compared to 8.8 years for the average Sri Lankan, which are also higher education levels compared to other Asian apparel exporting countries (ibid.). These data suggest that at least some share of the ability of Sri Lankan firms to stay price competitive has come from the fact that wages were not adjusted to keep pace with rest of the economy, to the detriment of female labor, in particular.\textsuperscript{22}

\textbf{Figure 10: Sri Lanka Apparel: Employment and Number of Factories Over Time}

In addition, the number of factories decreased 71.7 percent from 1,061 in 2001 to 300 in 2009 (see Figure 10 above; Staritz and Frederick, 2012). More recent news reports

\textsuperscript{22} Actually, this is largely a government failure (perhaps with pressure from the industry), because the wages board has inadequately adjusted wages despite very high inflation in some years. (Ruwanpura, 2012: 25).
indicate that the number has fallen further to 240 (Samaraweera, 2011). Although there are limited recent data to evaluate what exactly occurred in this decline, evidence from interviews and secondary research suggests that the largest domestically owned firms have grown larger, while SMEs have closed down, been bought out, or downsized (Wijayasiri and Dissanayake, 2009). Even in 2001, the industry was highly concentrated, with large firms (12 percent of firms) contributing approximately 72 percent of total apparel exports (Kelegama and Wijayasiri, 2004). The concentration in the sector has intensified further in the post-quota era (Staritz and Frederick, 2012; Wijayasiri and Dissanayake, 2009). For example, Table 6 shows increase in the combined market shares of the top ten firms in Sri Lanka from 18 percent to 37 percent since 2002.

<table>
<thead>
<tr>
<th>Exporter Rank</th>
<th>Export Values (US$ Million)</th>
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<td>43</td>
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This suggests that the industry is undergoing a shakeout period, in which large firms are emerging stronger than ever, but SMEs are cast out of global production networks or reincorporated in a more subordinate and precarious position through subcontracting arrangements (Wijayasiri and Dissanayake, 2009). Because there is very little data and information about this process and it is difficult to trace a segment of the industry that no longer exists, I am not able to analyze this process of displacement in depth. Even so, this is most likely a process that is related to the upgrading trends among larger firms and to trade liberalization (quota phase-out) in general, since consolidation is occurring in many apparel sectors around the world (Staritz, 2011). As disarticulations scholars argue (Bair and Werner, 2011), displacements are part and parcel of upgrading trajectories, even though these patterns of closure/downsizing are often downplayed as a result of an “inclusionary bias” in the commodity chains literatures (ibid.).

Another key challenge that the industry faces is a skilled labor shortage (Kelegama, 2009; Staritz and Frederick, 2012). One of the main reasons for this labor shortage is the negative image of the garment sector in Sri Lankan society (Hewamanne, 2008; Lynch, 2007) (see Chapter 4 for further discussion). The garment industry is often viewed as morally destructive of “traditional” Sri Lankan values, it has a reputation for poor living conditions around the export processing zones, and garment workers are stigmatized as promiscuous (Hewamanne, 2008; Kelegama, 2009; Lynch, 2007). The growth in alternative forms of employment is another contributing factor to the labor shortage, which includes overseas migration (primarily for domestic work) and expanding livelihood opportunities for rural families following the end of the war, for example, in tourism and retail). As a result, the labor shortage has gotten progressively
worse since 2005, with almost every manager that I interviewed mentioning the problem. There are reports of between 15,000 and 30,000 vacancies in the industry (Samaraweera, 2011). Some firms are sending out recruitment teams into far-off villages, and the JAAF has funded a national image-building campaign called *Viru Diyani*, or “Golden Needle” to improve the image of the industry (see Figure 11). Managers frequently noted that high turnover constrains their ability to engage in process upgrading, such as their efforts to increase efficiency and productivity, and this holds them back from becoming more competitive. Therefore, companies are going to great lengths to recruit and retain workers (see Chapters Four and Six). This shortage has also led some industry leaders to predict that all manufacturing activities will soon leave Sri Lanka because cheaper labor is highly available in nearby countries. It is important to consider these labor constraints in the context of the various upgrading initiatives that the industry has pursued to create a knowledge-based apparel industry. The next section summarizes these initiatives and conveys the extreme amount of effort, collaboration, and investment it has taken to keep exports growing during the post-quota, recessionary period.
3.4 Competitiveness strategies and industrial upgrading

A selection of large, domestically owned firms in Sri Lanka has been engaging in industrial upgrading and a series of other competitiveness strategies (Staritz and Frederick, 2012; Wijayasiri and Dissanayake, 2009). The top three firms are MAS Holdings ($700 million business volume per year), Brandix Lanka Limited ($370 million business volume per year), and Hirdaramani Group of Companies ($250 million business...
volume), which together contributed an estimated 37.4 percent\textsuperscript{23} of total apparel export values in 2009 (Staritz and Frederick, 2012). These firms have invested the most in upgrading efforts (Staritz and Frederick, 2012; Wijayasiri and Dissanayake, 2009). This section summarizes the upgrading strategies in order to situate the forthcoming chapters in the broader context of industrial change in Sri Lanka’s apparel sector. In particular, it elucidates the various ways in which the leading firms leveraged business partnerships, government support, and existing strengths to build a regional market-savvy, knowledge-based apparel value chain and management hub. Although it is true that these companies benefited from a strong market position to begin with, it is also important to acknowledge the extraordinary efforts and entrepreneurial skills of the management in these firms and the high level of intra-industry collaboration. The leading companies cultivated strategic partnerships with buyers, such as Marks and Spencer (M&S), Tesco, Nike, Victoria’s Secret, and Gap. These partnerships continue to be very strong and important for knowledge exchange, as is evident by the case studies that follow in the next three chapters. Since the late 1980s, the leading firms have also built their business model around joint ventures with foreign firms and with each other, which has enabled them to benefit from technology transfer and develop new forms of expertise, such as bonding techniques (Wijayasiri and Dissanayake, 2009).

\begin{flushright}
\textsuperscript{23} This figure was calculated by author, but it is an estimate based on data provided by Staritz and Frederick, 2012. Because they did not indicate the year that these annual business volumes were reported, I assumed they were the business volumes for 2009, the most recent year they reported export value data for.
\end{flushright}
3.4.1 Product upgrading

As previously mentioned, the Sri Lankan garment sector has increasingly attempted to “move up” the product value chain by focusing on middle and higher-end niches, ethical production, and its existing specializations in intimate apparel and active wear. One of the ways that they did this was to shift more to the EU destination market, both because of the availability of GSP+ status from 2005-2010 that granted duty free access, and because EU buyers tend to be more willing to pay higher prices for better quality products (Gibbon, 2003; Staritz and Frederick, 2012). The factories that I visited generally reported producing less basics and more complex garments over the last five years. Although the product mix has increasingly focused on knit products and the EU markets (Kelegama, 2009; Staritz and Frederick, 2012), it is difficult to measure in unit value terms because of all of the other forms of upgrading that can confound an interpretation of unit values (e.g., process upgrading can result in lower unit values). However, as noted earlier, Sri Lanka does have higher unit values than other Asian exporters (Staritz and Frederick, 2012.).

The industry has tried to specialize in “ethical” garments with fair-trade fabrics and more environmentally friendly products. For example, MAS Holdings collaborated with M&S to launch the world’s first “Carbon Neutral Bra” in 2011 (Gray, 2011). This partnership allowed the firm to learn more about lifecycle analysis, product design, and R&D opportunities related to sustainable fabric technologies. In addition, several local fabric companies are fair-trade certified, which enables the Sri Lankan garment industry to supply clothing with fair-trade cotton to buyers, such as Tesco and M&S (Wijayasiri...
and Dissanayake, 2009). The construction of a new Nanotechnology Park also indicates an intent to move into technical textiles in the near future.

### 3.4.2 Process upgrading

The top firms in Sri Lanka have also pursued process upgrading strategies, which are arguably the most innovative of all the strategies. In the JAAF strategic plan (2002), low productivity was identified as a weakness in the industry sector, being that at the time it was 35-45 percent in Sri Lanka compared to 65-75 percent in cost-competitive countries (JAAF, 2002). In 2002, the ILO implemented the Factory Improvement Program (FIP) in Sri Lanka in collaboration with JAAF and the Employer’s Federation of Ceylon (Wijayasiri and Dissanayake, 2009). The FIP was a training program for improving competitiveness, working conditions, and industrial relations that had promising results (ibid.). In 2004, the JAAF (with funding from the government) started its own Productivity Improvement Programme.

Efficiency and quality have also been high priorities in the post-quota era, among all sizes of firms, not just the top firms. Brandix implemented Total Quality Management systems, which focus on continuous improvement in the production process and catching quality problems early on. MAS Holdings and Hirdaramani have each started to adopt lean manufacturing models, a manufacturing philosophy of multi-function-team-based production modules based on the Toyota Production System developed in Japan. MAS Holdings is now quite far along this “lean journey,” having had quite a bit of success with these programs in terms of increased efficiency, productivity, and a learning-oriented

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24 The Factory Improvement Programme was also funded by the US Department of Labor and the Swiss Secretariat for Economic Affairs (Wijayasiri and Dissanayake, 2009).
workplace culture (see Chapter Six). Participants in the lean factories credited much of their factory’s success in surviving the global recession and quota phase-out with the switch to lean. Their lean program, the MAS Operating System (MOS), initially emerged from a pilot program that was developed in partnership with Nike.

There were several other forms of process upgrading underway in Sri Lanka. For example, the largest firms have invested in numerous computer technologies, including Computer Aided Design and Computer Aided Manufacturing. These technologies make the process of updating and exchanging designs much easier (Wijayasiri and Dissanayake, 2009). For example, the Hirdaramani company implemented the 3-D Virtual Sample Development Process, a digital sampling technology (ibid.). The other large companies have also invested in enterprise resource planning systems, which integrate business processes such as inventory management and production scheduling (ibid.) Additional process upgrading strategies included environmental upgrading that increased efficiency (see Chapter Five), upgrading machinery, and at least one large firm is testing out ways of automating different stages of the production process.

3.4.3 Functional upgrading

The leading firms in Sri Lanka have pursued several forms of functional upgrading. In the JAAF (2002) plan, the industry set a goal to move from an assembly manufacturer, or cut-make-trim (CMT), to a “full service provider” and “one-stop shop.” This included the goal to develop capabilities in original equipment manufacturing (OEM, or full package), original design manufacturing (ODM), and original brand manufacturing (OBM). The largest companies in Sri Lanka are well on their way to becoming OEM, having developed upstream and downstream linkages such as fabric,
washing, dyeing, packaging, and finishing. However, CMT only operations are still very common amongst smaller and medium sized firms, and many of these firms have entered into subcontracting arrangements with the larger firms (Wijayasiri and Dissanayake, 2009). In addition, although there have been several attempts to develop backward linkages in textiles (including government support), there has been slow progress in developing domestic capacity for sourcing fabric, yarns, and accessories (Staritz and Frederick, 2012; Wijayasiri and Dissanayake, 2009). Recently, domestic sourcing of accessories and knit fabric has increased, but woven fabrics are still largely imported (Staritz and Frederick, 2012). Overall, the industry has shifted from 80-90 percent imported textiles in the early 2000s to 65 percent (ibid.). The lack of a cotton sector on the island is one of the reasons why it is so hard to forge backwards linkages.

Northumbria University in the United Kingdom opened the Academy of Design in Sri Lanka in the early 2000s, which serves as a center for training South Asian designers and organizing the annual Sri Lankan Design Festival, a collaboration with JAAF and individual firms. In addition, the JAAF collaborated with the government to develop a design curriculum at the University of Moratuwa. The top apparel companies have strategically developed internal design capacity in-house, and have designated design centers that are linked to other knowledge generation activities, such as product and fabric research and development. In 2008, a public-private partnership was formed between the Sri Lankan government and five private sector firms to form the Sri Lankan Institute of Nanotechnology, which is currently building the Nanotechnology Park. This

The park will house high-tech research labs and will serve as an incubator for nanotechnology commercialization and development for the industrial sectors in Sri Lanka. Each of the leading firms also has offices in the major destination markets to enhance coordination with customers and input vendors, such as New York, London, and Hong Kong. Having the design information technology available at the large firms also enables them to add design functionality to the set of services they offer to buyers (in addition to enhancing the production process).

The development of original branding has been somewhat limited so far, but it is growing—in part as a result of the increased access to design education and experience in Sri Lanka. Several companies and designers in Sri Lanka serve the domestic clothing market. Hirdaramani, one of the largest firms, has reinvigorated its domestic retail branding efforts in Sri Lanka with three different brands, Keko, diplomat, and Long Island Clothing Company jeans. MAS Holding’s has developed its own brand called Amanté, a collection of intimate apparel that is targeted to the Indian market. One of the barriers to developing more branding capacity in Sri Lanka is the distance from the main export destination markets, which cuts designers off from the latest fashion trends and inhibits cross-cultural exchange of design ideas.

### 3.4.4 Other forms of innovation and upgrading

I did not thoroughly research chain upgrading in Sri Lanka, in part because it is difficult to trace given the global scale of the leading firms. However, I did observe that each of the leading firms has invested in several other sectors. For example, a business

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26 Keko is a joint venture with John Keells Holdings, a large corporation in Sri Lanka.
development strategist at one of the firms informed me that his firm has increasingly
moved into information technology and global real estate holdings as an investment
strategy. Hirdaramani Group of Companies, on its website, indicates that it has
investments in information technology, domestic retail brands, financial services, and a
packaging company.\(^{27}\) Therefore, it is quite clear that all of these firms are able to
diversify beyond the apparel industry. Once again, the SMEs have far less leverage to do
this.

There are several other components of the upgrading and competitiveness
strategies in Sri Lanka that do not fit neatly into the upgrading categories. First, Brandix
and MAS Holdings have each invested in large apparel industrial parks in the state of
Andhra Pradesh, India. Both of these parks are intentionally designed to be fully
vertically integrated operations, from raw materials to finished product. For example,
Brandix India Apparel City is a $US 1 billion, 1000 acre private industrial park that aims
to employ 60,000 and is built around the concept of “fibre-to-store” production.\(^{28}\) Even
though both MAS and Brandix have had production facilities in other countries prior to
this, none of the facilities have been on the scale of these industrial parks. Because India
has more backward linkages capability and a larger available workforce, these locations
provide the firms with higher capabilities to reduce lead times and offer more
comprehensive full package services. Therefore, this large-scale regional outsourcing is


clearly part of their strategy for diversifying their investments and building a “regional hub” which benefits from Sri Lankan management expertise.

A second locational shift is underway in the garment industry, the government programs that offer incentives to companies that move operations into the former conflict areas in the Northern and Eastern provinces. This is ambiguous in terms of whether it represents upgrading or downgrading, because it brings much needed jobs to the area but represents a lower cost strategy for the firms themselves, which benefit from government subsidies, a more abundant labor pool, and lower labor costs. The Eastern province currently has three existing factories (Samaraweera, 2011). The government is incentivizing and subsidizing further industrial investment in the North and East as a reconstruction and reconciliation strategy, and the areas are in dire need of jobs and livelihood (Crabtree, 2012; Kinetz, 2009). The garment industry currently plans to open at least nine more factories in the North and East (Samaraweera, 2011). MAS Holdings expects to open two plants in Killinochi in 2015, which is also the former political capital of the LTTE (Crabtree, 2012). Training centers are already in operation there, and the company plans to hire over 2000 local workers (ibid.). Other companies that already have garment factories or have factories under development in these areas include: Tri Star Apparel, Omegaline, Timex Garments, Ferguson, and Orit Apparel (News360, 2011; Samad, 2010).

The first garment factory in the East, Brandix Punani, opened in December, 2008, approximately 22 kilometers from the city of Batticaloa in the Eastern Province. The war was still underway at the time, and a manager informed me that when they first opened they required military escorts to get the goods out of the area safely. The factory was set
up through a public-partnership between the U.S. Agency for International Development (USAID), the Sri Lankan government, and Brandix. USAID funded training programs and purchased a bus for transporting the workers, who live up to an hour away. The factory received government subsidies in the form of a tax holiday for the entire casual wear division of Brandix for five years and preferential land leasing terms (Kinetz, 2009). Brandix started with 100 trainees at first, but has since expanded to over 200. The company employs a mix of Tamil, Sinhala, and Muslim workers, with the requirement that each line be made up of mixed ethnicities. All of the managers are Sinhalese, use a Tamil translator to communicate with Tamil-speaking workers on the lines, and take weekly vanpools to the area from Colombo (a six hour journey). The factory hosts various activities that promote interaction between the ethnic groups, such as volleyball games and dance parties (ibid.). There is a prohibition on discussing the conflict within the factory complex. “I have people who were in border villages and people who were combatants. They basically killed each other,” said the General Manager. “There is a lot of bad blood. When you come into Brandix, you leave the past behind” (As quoted in Kinetz, 2009).

The final upgrading strategy, which cuts across several of the upgrading categories, is the effort to invest heavily in human resources, including management training and workforce development (Kelegama, 2009). The industry has pursued this from a variety of angles. First, industry associations partnered with the government to enhance training programs at universities and training institutes such as the Department of Textile and Clothing Technology at the University of Moratuwa and the Sri Lanka Institute of Textile and Apparel (Staritz and Frederick, 2012). JAAF also partnered with
the government and private firms to fund the productivity enhancement projects described earlier. In addition, the JAAF collaborated with the Chartered Institute of Marketing in the UK to establish a postgraduate course leading to a professional qualification in marketing (Staritz and Frederick, 2012; Wijayasiri and Dissanayake, 2009). North Carolina State University College of Textiles collaborated with the Sri Lanka Institute of Textile and Apparel in 2004 to set up a diploma that specialized in developing competencies in supply chain management and industrial engineering (Staritz and Frederick, 2012). As previously mentioned, the Nanotechnology Park is a partnership between the Ministry of Science and Technology and five private sector companies, and it aims to be a research hub for the apparel industry and other sectors. Therefore, the JAAF has fervently leveraged public-private partnerships to meet the industry’s goal of building skills in management, marketing, and production processes.

Large garment companies have also set up their own internal training programs and centers, which operate at the plant and corporate levels. Brandix opened the College of Clothing Technology in 2005, which offers degrees in apparel in conjunction with Royal Melbourne Institute of Technology in Australia (Wijayasiri and Dissanayake, 2009). Similarly, MAS Holdings has a MAS Institute of Management and Technology (ibid.), and it has also partnered with Nike to build the Apparel Innovation and Training Center at the MAS Fabric Park in Thulhiriya, Sri Lanka. The training center draws managers from around the world who take twelve-week courses in lean manufacturing. Based on my interviews, these companies also organize training excursions to leading factories around the world in order to expose the corporate-level executives and managers to a wide variety of the latest trends and technologies. This whole array of training
initiatives is an integral part of the industry’s plan to transform into a knowledge-intensive apparel industry that is a regional sourcing hub.

3.5 Conclusion

Trade liberalization in the form of quota phase-out sparked a series of dramatic changes in the Sri Lankan apparel sector, which the industry managed to transform into an opportunity to build a knowledge-intensive, full package apparel production regional hub. The industry to leveraged a variety of partnerships, pursued a wide range of upgrading and other competitiveness strategies, and prioritized the development of management, marketing, and workforce skills in order to achieve the goals of the JAAF five-year strategic plan. The focus on a knowledge-based industry was necessary, in their view, because of several weaknesses that they identified in the strategic planning process. These included low efficiencies and low productivity, low awareness of fashion trends in major markets, low adoption rates of production technologies, and the need to strategically manage the labor shortage problem. Therefore, the Sri Lankan apparel sector represents a compelling case that, in many ways, defies the conventional understanding of apparel as a jump-start, low-technology industry with low barriers to entry.

For this reason, the Sri Lankan apparel industry informs questions about the hypothesized link between upgrading, global competitiveness, and development in the GVC/GPN literatures in fruitful ways. The upgrading strategies have led to the emergence of several innovative, cutting-edge practices and processes, and they have strengthened the sector by promoting diversification, backward linkages, and new competencies in design and supply chain management. In addition, they enabled the sector to continue on path of growth in terms of export values, despite predictions that the
industry would lose half of its exports. This is especially impressive because quota phase-out was followed by a global recession in 2008 that hit Sri Lanka’s major export markets very hard, the removal of safeguards on China in 2008, and the removal of GSP+ preferences from the EU in 2010. In other words, there seems to be a new logic at work here than the typical footloose pattern in the apparel industry, in which large firms in Sri Lanka has effectively managed to create “untraded interdependencies” to keep some forms of capital “stuck” in place (Markusen, 1996; Storper, 1997). In addition, because of the industry’s efforts to build a knowledge-intensive apparel sector alongside an ethical sourcing campaign, the Sri Lankan case also offers new insights into what it means to develop “better” management and pursue a “high road” trajectory (although the ethical strategy is not without rupture) in a sector that is notorious for sweatshops and races to the bottom. These insights are pursued in more depth in the chapters that follow.

On the other hand, the upgrading outcomes have been accompanied by dramatic restructuring in the industry, with more than 70 percent of factories closing over a ten-year period and growing wealth concentration among a handful of large corporations in Sri Lanka. SMEs have been particularly hard hit, despite the JAAF action plans to save them. SMEs generally lacked the financial and human resource capital to invest at the levels that the larger firms did, which essentially displaced them from global circuits of production under post-quota and recessionary conditions. Likewise, wage premiums and gender wage gaps in the apparel industry worsened in Sri Lanka, even though the workforce apparently responded well to the imperative to be more productive and efficient. These patterns of uneven development suggest that the hypothetical link between upgrading, global competitiveness, and regional development in the GVC/GPN
literature needs further critical examination (Bair and Werner, 2011; Schrank, 2004; Tokatli, 2012). In particular, these findings reiterate a need to analyze how upgrading shapes the organizational structure of industries and how much the gains from upgrading are shared in industry sectors, societies, and regions (Bair, 2005).

Finally, the transformation of the Sri Lankan apparel industry into an ethical, knowledge-intensive sector also has potential to move debates about governance in GVCs in new directions. In particular, it problematizes the notion that buyer-driven-ness and international dynamics of space, in general, are always “acting on” the local and on labor—in other words, a passive sense place (Herod, 2001; Gibson-Graham, 2006; Massey, 1993). With such a well-organized and coordinated local and national response to quota phase-out, Sri Lanka shows that it is possible for a nation, workforce, and industry to establish untraded interdependencies in a labor-intensive sector—at least for the time being. This ongoing process of struggle and tension through GPNs and between different fields of power at different scales is playing out in fascinating and unpredictable ways in Sri Lanka. Moreover, it supports my overall argument for a de-centered conceptualization of governance informed by the concept of power-geometries. The next three chapters elaborate this argument further, starting with an exploration of these tensions through the case of the JAAF’s Garments Without Guilt branding effort.
CHAPTER FOUR:

Garments without guilt: a national branding strategy

In recent years, the Sri Lankan apparel industry has staked a prominent position on the ethical sourcing map. Its ethical branding project called Garments Without Guilt (GWG) is comprised of a certification scheme and a diverse set of company-specific projects that have won international recognition such as the American Apparel and Footwear Association’s Award for Excellence in Social Responsibility. In addition, Sri Lankan companies have been featured in several “best practice” case study reports (IFC, et al., 2007; Paavola and Chattopadhyay, 2008; Watson and Story, 2006).

At the heart of this development, however, lies a contradiction: within Sri Lanka, the garment industry has had the longstanding reputation of being unethical. In the media and political discourse, jobs in the industry are considered “bad” jobs, female workers are stigmatized and considered promiscuous, and the lingerie products that the country has developed a specialization in are considered by many to be dirty and morally wrong (Hewamanne, 2008; Lynch, 2007; Shaw, 2004). It is not so much the jobs, themselves, that triggered these expressions of ethical concern, but more the widespread fear that the “amoral” aspects of foreign/Western capital will corrupt Sri Lanka’s “innocent” girls and,

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in so doing, threaten the virtue and established norms of “Sri Lankan” culture (Hewamanne, 2008; Lynch, 2007). This raises the question: why did an industry-led initiative arise in Sri Lanka to promote the country as an ethical clothing producer?

The idea to promote an industry sector at the national scale is a relatively new one. It was pioneered in the late 1990s in Cambodia (Polaski, 2004), although that was not an industry-led effort but instead a wider institutional collaboration involving the ILO, the U.S. government, the Cambodian government, and other institutions. A very limited body of research exists about industry-led national ethical branding strategies (an exception is Rossi, 2013). Moreover, it is often hard to get suppliers to support ethical sourcing campaigns because CSR is typically perceived as a cost burden rather than a cost saving opportunity (Caroll and Shabana, 2010; Proter and Van der Linde, 1995). In these ways, analyzing the conditions under which it was possible in Sri Lanka to build supplier buy-in for implementing ethical initiatives helps to address some significant gaps in the ethical trade literature.

Based on an analysis of the JAAF strategic plan and my interviews with industry association leaders, I found that, although firm leaders and industry associations were very well organized in their response to impending quota phase-out, they drew on existing assets to devise their competitiveness strategy—one of which was a positive reputation for more ethical manufacturing among their customers (buyers) (JAAF, 2002). I argue that state-led development policies and local articulations of ethical concern enabled suppliers to interpret ethical initiatives as a potential gain for their business (such

30 This “Sri Lankan culture” typically means Sinhalese Buddhist norms and values, because this is the dominant group in Sri Lankan society (Hewamanne, 2008; Lynch, 2007).
as lower labor turnover) rather than a cost burden. However, even though the programs in place as part of GWG made “business sense” for suppliers in the national context, the GWG branding and certification effort was less successful at improving the country’s ethical reputation and credibility in the eyes of buyers and ethical trade organizations in the US and EU beyond the positive reputation that the country’s sector already had. In these ways, the chapter brings the national and local context into focus in this dissertation, examining how it has shaped firm conceptualizations and practices of ethical initiatives.

This chapter draws from my qualitative field research in Sri Lanka, especially the factory visits and informant interviews that I conducted with industry representatives, worker organizations, government officials, and trade unions in Sri Lanka. Attending the Sri Lankan Design Festival in Colombo (Sri Lanka) in 2010 also enabled me to observe intra-industry and buyer-supplier interactions. The chapter also draws from secondary sources, especially very detailed apparel industry ethnographies in Sri Lanka by Lynch (2007) and Hewamanne (2008) and recent GPN research conducted by Kanchana Ruwanpura (Ruwanpura and Wrigley, 2011).

Section 4.1 describes the Sri Lankan state’s zoning strategies as the country liberalized trade beginning in 1977 and examines how that provoked a wave of moral anxiety in Sri Lankan society (Lynch, 2007). Then, Section 4.2 describes how the state re-zoned the national space to address these anxieties and also to quell rural unemployment. Section 4.3 analyzes how the Sri Lankan apparel industry took its own steps to respond to its unethical image problem, and later how they repackaged these initiatives into the GWG branding initiative. I present the core features of GWG and
analyze how its principles compare with two of the most widely used labor standards globally. Section 4.4 then analyses some of the main challenges and limitations that have emerged for enhancing and sustaining GWG. The chapter concludes by analyzing how these findings contribute to the GVC/GPN literatures, ethical trade, and the link between social upgrading and competitiveness.

4.1 Rethinking the spaces of ethical governance

Despite the valuable contributions of the GVC framework for advancing how we understand the dynamics of international inter-firm governance, many scholars have critiqued the GVC approach for being too firm-centric, arguing that other institutions, such as the state or the labor market, also shape production practices in significant ways (Bair, 2005; Coe, et al., 2004; Henderson, et al., 2002). This chapter responds to the call from the GPN scholars to focus more on governance relations beyond firm networks, at the same time acknowledging that buyers (i.e. developed country brands and retailers) are still very influential in shaping how apparel suppliers behave. Specifically, the case demonstrates how local norms articulate with globalized phenomena (e.g., the influx of foreign capital for the production of apparel), and how those norms have shaped the ethical priorities and behaviors of suppliers. In this way, this chapter gives more form to the unspecified assertion in the GPN literature that non-firm power relations should be included in an analysis of governance. In effect, this is a re-conceptualization of the spaces and jurisdictions of ethical governance beyond the factory floor, not just an addition of more actors.

The chapter also contributes to debates about ethical trade, specifically the attempt to homogenize and standardize production practices to establish a “floor” of
decent working conditions. As Chapter Two describes, despite some achievements in particular areas of ethical trade (Barrientos and Smith, 2007; Gereffi and Mayer, 2006; Hughes, 2006; Jenkins, 2001; Mamic, 2003), standardized codes and monitoring approaches have not met the objective of raising the floor of standards generally due to several challenges (Barrientos and Smith, 2007; Esbenshade, 2004; Locke, et al., 2007; Mamic, 2003; O’Rourke, 2003). These include (among others) the lack of awareness of codes, inadequate incentives from buyers, and difficulties of measuring and capturing things like discrimination, harassment, or access to freedom of association.

The prominent role of the concerned Western consumer and the resulting anti-sweatshop movement of the 1990s are well documented in the literature on ethical trade (Esbenshade, 2004; Jenkins, 2005; Klein, 2000). Less well studied and understood are the ethical concerns of local or national stakeholders in producing countries such as workers, factory owners, or state officials (Raynolds, et al., 2007). The focus has largely been on raising “standards,” which are understood to be universal rather than contested, contextual, and political. For example, some argue that suppliers are “standards takers” rather than “standards setters” within global production networks because of the level of market power that some retailers have, meaning that standards have become a disciplinary technique to which suppliers are subjected (De Neve, 2009; Nadvi, 2008). National-level ethical branding such as the industry-led GWG initiative in Sri Lanka raises some new questions and challenges about how to balance firm and local actors’ involvement without compromising the integrity of global standards, which came out of a
tripartite process with input from United Nations member countries. Given the limited body of research on this type of ethical branding initiative, the Sri Lankan case can help advance several gaps in the ethical trade debates.

In conceptualizing the spaces of ethical governance, I build on Aiwa Ong’s (2006) understanding of neoliberalism and space. Rather than seeing neoliberalism as a global structure of governance that homogenizes space, Ong (2006) conceptualizes it as a set of mobile, calculative technologies that are operationalized differently in different settings. She characterizes the contemporary geography as “postdevelopmental” in that it does not take the nation state as a uniform political space, but rather a fragmented space in which technologies of government are deployed in differential ways to regulate populations and manage international competitiveness.

By deploying zoning strategies, sovereign states can create or accommodate islands of distinct governing regimes within the broader landscape of normalized rule. The political outcome is an archipelago of enclaves, the sum of which is a form of variegated sovereignty (Ong, 2006, p. 103).

In this reading, “Technologies of Zoning” are ways of subdividing national space into different areas with different rules and forms of citizenship. Zoning technologies also create opportunities for countries to make certain spaces more available to global capital than others. For example, the proliferation of export processing zones in Sri Lanka since 1977 has created differential conditions for foreign investment depending on the location of production and the sector. Furthermore, while all firms throughout Sri Lanka are now subject to the same legislative rules, the administration of enforcement is handled by

31 The International Labour Organization Declaration on Fundamental Principles and Rights at Work (1998) is the foundational policy document that established international labor standards.
different agencies and conducted in different ways depending on firm ownership and location.

While Ong’s framework is useful for understanding the spatial logic that underpins the uneven practices of ethical governance in Sri Lanka, it falls short for understanding the consequences of new zoning technologies for labor geographies and gender roles. For example, how do the linkages among enclaves, specifically the movement of certain bodies among them, impact Sri Lankan subjectivities and livelihoods? Mitchell, Marston & Katz (2003) offer a salient review of feminist scholarship that questions the separation of spaces of production and reproduction. They argue that late capitalism has produced a new form of labor subjectivity, the life worker.

This widespread and profound shift in both the material spaces and cognitive understandings of life’s work is galvanized by and facilitates the complete breakdown of the barriers between worlds, such that the domain of work and the domains of home and leisure are indistinguishable from each other—and for many this now forms the contemporary “habitus” (Mitchell, et al., 2003).

By invoking Bourdieu’s (1984) notion of “habitus,” they are conveying that the everyday material practices of working to survive and surviving to work in the contemporary conjuncture are so normalized that they seem natural. The boundaries between production and reproduction in Sri Lankan export processing zones are also blurred this way, yet most ethical initiatives in the zones maintain strict spatial divisions in terms of where they can and cannot regulate.

Taken together, the conceptual approaches of Ong and Mitchell et al. can help to frame the spatiality of ethical initiatives in Sri Lanka in ways that reflect complexity and unevenness, rather than uniformity and universality. In other words, these theories can help bring about a shift from a global, standardized, and universal concept of ethical governance to a multi-scalar, contextual, and relational understanding. This
conceptualization of ethical initiatives provides a better account of what drives variation in the practices of ethical initiatives across various landscapes of production and reproduction, including locational factors and differences in buyer, manager, and worker characteristics. A relational approach also brings other forms of complexity to light, such as the coexistence of multiple ethical and regulatory regimes in the same space, which are at times consistent and other times in conflict with each other.

4.2 State-led zoning strategies and local articulations of ethical concern

Local and national regimes of authority have historically and spatially shaped business practices in Sri Lanka in many ways. Most relevant for the purposes of this chapter, Sri Lankan apparel firms responded to anxieties about the threats of globalization (in which the apparel industry and female garment workers became a key site of struggle in these debates; Lynch, 2007) by introducing corporate welfare programs that were the antecedents of the GWG brand.

4.2.1 The state’s first zoning strategy: enclaves of liberalization

In Sri Lanka, the state has played a major role, not only in creating the conditions under which the garment industry could grow and become globally competitive, but also in using what Ong (2006) calls zoning technologies during liberalization that had consequences for the industry its labor force, and the national debates over how to reconcile economic development and modernization while preserving “Sri Lankan” values (Lynch, 2007). In order to analyze how these zoning technologies were implemented in Sri Lanka, it is necessary to present some general background information about state-led development strategies in Sri Lanka. In the early stages of
liberalization, the Sri Lankan state deployed an enclave zoning strategy to promote 
export-oriented development. The state also constrained and enabled the industrial 
geography of the garment sector in Sri Lanka through social policies, protections, and 
regulations.

Sri Lanka is an island country in South Asia located off the south-southeast coast 
of India. Starting in 1977, technologies of zoning were used in Sri Lanka to create 
variegated enclaves of production, and this has had many consequences for the 
geographies of labor and sexual divisions of labor. In 1977, the United National Party 
came to power in Sri Lanka and initiated a process of export-oriented liberalization that 
began to dismantle the import-substitution policies that were in place since 1956 (shortly 
after independence). The main components of the shift included the privatization of 
state-owned enterprises, the establishment of export processing zones, reduction of 
tariffs, and the implementation of other structural reforms congruent with the neoliberal 
philosophy of the World Bank and the International Monetary Fund (Jayaweera, 2003; 
Round & Whalley, 2002). Liberalization progressed more slowly in Sri Lanka compared 
to other South Asian countries, with several stages of reduction of tariffs and restrictions 
on imports and exports (Round & Whalley, 2002). Sri Lanka’s apparel industry was 
protected under the MFA quota system throughout the initial industrialization stages and 
up until 2005. Because Sri Lanka is a smaller-scale producer compared to India and 
China, the country had a significant “quota advantage” and therefore attracted foreign 
investors whose domestic quota allocation was already used up.

The establishment of export processing zones (EPZs) was instrumental for the rise 
of the garment industry in Sri Lanka, and it was part of a larger strategy to make some
areas more available to foreign capital than others (Ong, 2006). EPZs are known by various names, including free trade zones, and they are commonly defined as: “regulatory spaces in a country aimed at attracting export-oriented companies by offering these companies special concessions on taxes, tariffs and regulations,” (Milberg and Amengual, 2008). In other words, they are special enclaves where production is cheaper, infrastructure is better, and companies are heavily recruited in order to create jobs. The first EPZ in Sri Lanka, Katunayake, opened in 1978, and since then a total of 11 EPZs and industrial parks have opened (see Figure 5 in Chapter Three). At first, foreign investment in the EPZs were given exceptional trade preferences, but over time the Sri Lankan government has expanded the incentive packages outside the EPZs (Kelegama & Wijayasiri, 2004).

Another part of the Sri Lankan state’s strategy was to incorporate the ILO core conventions into the country’s legislative rules. At the same time, different administrative bodies were created to enforce the laws in different types of factories. This has led to successes and challenges. Sri Lanka has ratified all of the ILO core conventions, including the recognition of the right of workers to organize (Sivananthiran, 2009). Without meeting the ILO core conventions, it would have been near impossible for the industry association to claim exceptional ethical compliance in the eyes of ethical buyers and trade groups; therefore, the state supported the garment industry substantially by implementing these policy changes. Ruwanpura and Wrigley (2011) attribute Sri Lanka’s relative success in adopting international labor standards to a historical legacy of a strong labor movement in the country (during colonialism), high education levels of the
workforce, institutional legacies of valuing employee welfare, and earlier entry into export-oriented apparel markets compared to neighboring countries.

However, the Department of Labour has faced challenges in adequately inspecting factories and enforcing the law. For example, the inspections system is not computerized, and district offices first gained email capacity in 2007 (Sivananthiran, 2009). The inspectorate is also understaffed, and the number of inspections decreased substantially from 2004-2005 (ibid.) That means that infringements of the law are often not caught or addressed through the legal process. In addition, there is overlap between the Board of Investment, which oversees foreign direct investment activities inside and outside the zones, and the Department of Labour (ibid.) Access to zones has been particularly problematic, because Department of Labour inspectors (and other third-party monitors) have had difficulty getting into the zones unannounced (ibid.) In interviews, industry respondents reported that the Board of Investment has monitored zones more closely than village-based factories, which suggests that the state’s enforcement mechanisms vary depending on location of the factory. Coordination between the Department of Labour and the industry-led ethical initiatives has also been lacking, and the ILO has intervened at times to foster tripartite coordination (ibid.) Despite Sri Lanka’s accomplishments legislatively, the state’s current role in enforcement and inspection of labor and environmental conventions is hampered by budget constraints.

Overall, the use of zoning technologies was part of the Sri Lankan government’s larger strategy to achieve greater international competitiveness without giving up all forms of protectionism in all places. The government’s use of zoning technologies had specific spatial consequences because they gave incentives to foreign investors to use up
quotas first in the export processing zones and later in the 200 Garment Factory Program factories (Kelegama & Wijayasiri, 2004). That means that the industrial geography of the apparel industry is concentrated in specific places: near the export processing zones, around Colombo (the largest port), and in the villages that have GFP factories. In the post-quota environment, Sri Lankan firms (through industry associations) are pursuing competitiveness in new forms such as by marketing Sri Lanka as a high quality undergarment (lingerie) producer and as an ethical sourcing destination. The state’s zoning strategies, although not directly leading these new initiatives, have helped produce the conditions under which producers could pursue them.

4.2.2 Moral anxieties and state-led rezoning

One of the dominant tensions in Sri Lankan political discourse since 1977 is the question of how to reconcile modernization and economic development with the preservation of established cultural traditions and moral codes (Hewamanne, 2008; Lynch, 2007). There is a distinctly nationalist and postcolonial tone to these debates, because economic liberalization was accompanied by two perceived threats to the nation: the insurgency movements within Sri Lanka and Westernization (Lynch, 2007). In this context, many Sinhalese Buddhists (the majority) consider women to be agents of cultural and national preservation, especially the “pure” and “innocent” women from rural villages that were recruited for employment in the nascent garment industry (ibid.). As men were recruited into the war effort, many garment workers felt they were doing their part to serve the country by generating foreign exchange earnings (ibid.). Nevertheless, widespread social concern and “moral panic” ensued (Lynch, 2007), especially over the migration of young women to Katunayake export processing zone
(EPZ), where the media widely reported workers living in unsanitary boarding houses, an absence of parental control, and a preponderance of social problems such as prostitution, premarital sex, rape, abortion, etc. (Hewamanne, 2008; Lynch, 2007). These discourses about female garment workers contributed to the state’s decision to re-zone the national space, which in turn changed the dynamic between factories and surrounding communities.

Sri Lanka is a multi-ethnic society with a complex set of religious, class, caste, ethnic, and regional identities. Two thirds of Sri Lankans are Sinhalese, and Sinhalese Buddhism is the dominant religion shaping local norms. Ancient Theravada Buddhism emphasizes “ten good deeds”: “generosity, morality, mental development, transferring merit, empathizing in the merit transferred, doing service (to elders), respectful behavior, teaching, listening (to religious teaching), holding right views” (Gombrich and Obeyesekere, 1988: 24). The most important of these principles for lay people are generosity and morality. Generosity is interpreted broadly to include material support of the monastic Order, and morality is understood as observance of the so-called “precepts,” which are, “not to kill, steal, be unchaste (not further defined), lie, or take intoxicants that may lead, through carelessness, to infringing the first four” (Gombrich and Obeyesekere, 1988: 24).

Protestant Buddhism emerged in the late 1800s as an anti-colonial reform movement that criticized what was considered to be the moral depravity of “the West,” led by a popular ideologue named Dharmapala: “…Dharmapala used the same logic as colonial writers to discredit colonialism by claiming that Buddhist society had upheld [moral] values until the colonial influence destroyed them” (Hewamanne, 2008: 31).
Dharmapala promoted specific moral codes for women, and Protestant Buddhism places more emphasis than pre-colonial forms of Buddhism on sexual purity, cleanliness, and domesticity (De Alwis, 1998; Gombrich and Obeyesekere, 1988).

Based on these roots in Theravada and Protestant Buddhism, therefore, the ethical norms in Sri Lanka emphasize giving back to the local community (sharing wealth), respectable and abstinent behavior (especially for women), and education (which implies a prohibition against child labor). Due to colonial legacies, the village is considered the authentic site of “pure” and “virtuous” Sri Lankan identity, whereas the former colonial port cities, including the capital Colombo and the EPZs, are considered Westernized and morally inferior (Hewamanne, 2008). “Good” women in this context are portrayed as passive, submissive, obedient, and sexually chaste until marriage. “Bad” women are portrayed as westernized, aggressive, and morally loose (Abeyesekera, 1989; Hewamanne, 2008).

Another legacy of colonialism was increased conflict, especially between the Sinhalese majority and the Tamils of the North and East. Because the Sinhalese perceived the colonial policies to have unfairly privileged Tamils, post-colonial Sinhalese-led governments sought to reverse these privileges through various policies such as making Sinhala the official language (disadvantaging those who spoke other languages). Rising tensions led to large-scale emigration and conflicts, especially after liberalization in 1977. These conflicts included a twenty-five-year civil war between the government and the Liberation Tigers of Tamil Eelam (LTTE) that started in 1983 and the violent insurrection of the Janatha Vimukthi Peramuna (People’s Liberation Front) from 1987 to 1989. These instabilities siphoned resources away from development.
projects and constrained economic growth opportunities on the island (Gunatilaka, et al., 2009). In addition, the civil war imbued a nationalist tone to ethical norms, meaning it became more important to be “virtuous,” disciplined, and dutiful as a way of supporting the national effort to conquer terrorism and uphold the righteousness of the nation (Lynch, 2007).

The civil war officially ended in 2009 when the government defeated the LTTE, involving a highly controversial standoff with hundreds of thousands of civilians acting as human shields. The events at the end of the war continue to strain Sri Lanka’s relations with Europe and the United Nations. Europe withdrew its Generalized System of Preferences Plus (GSP+) trade preferences program in Sri Lanka in 2010, alleging that the government committed war crimes. Meanwhile, the Sri Lankan government denied these claims, strengthened ties with Asian donor countries, and pursued the President’s Mahinda Chintana national development vision (Rajapaksa, 2010). This vision emphasizes a strong state, rural industrialization, entrepreneurship, and a disciplined society.

In addition to Buddhism, colonialism, and conflict, the combination of trade liberalization and protection of apparel exports under the WTO quota system had major effects on Sri Lankan society and ethical debates therein. Although the liberalization process was gradual, it generated major social and economic changes including rural unemployment, new gender roles as women entered the industrial labor force, and migration flows to the Colombo area for employment (Jayaweera, 2003). Young women migrated to the EPZs to work as the garment sector grew in the 1990s, which was a significant departure from the previous labor practices of women (Jayaweera, 2003). As a
result, the garment industry was a key site of public controversy over the changing roles of women and the influx of global capitalism (Hewamanne, 2008; Lynch, 2007). For example, the spaces around the EPZs that workers live in, such as Katunayake, are commonly referred to as “city of women,” “love zone,” and “the zone of prostitutes,” (Hewamanne, 2008; Lynch, 2007). Garment workers were often referred to as “Juki girls” after the Japanese sewing machine brand, or “Juki Pieces,” and marriage ads in the newspaper classifieds would specify “No Juki Girls” (Lynch, 2007).

In part, popular anxieties over the moral degradation of the virtuous, innocent village female subject inspired the Sri Lankan government to depart from the EPZ model and reorient its zoning strategy to promote rural industrialization through the 200 Garment Factory Programme (200 GFP) in 1992 (Lynch, 2007). The goal of the program was to establish factories in villages in each of the 200 administrative units. These were explicitly designed not to be in the industrial zones. In speeches, President Ranasinghe Premadasa framed GFP first as a response to unemployment and the rural youth revolts of the late 1980s, and later in response to the moral panic over the situation of migrant women in the EPZs (Lynch, 2007). In the words of one apparel industry leader, Mahesh Amalean, “We took the work to the workers, instead of the workers to the work,” (IFC, et al., 2007). In this way, the 200 GFP was offered by the state to quell tensions over foreign capital incursion and fears of moral degradation associated with women’s migration. Many firms took advantage of these incentives and located in villages, especially those within a few hours driving distance from Colombo, the capital city. In addition, other scholars have noted that the 200 GFP was also intended to help Sri Lanka fill its underutilized WTO quota allocation (Kelegama & Wijayasiri, 2004).
4.3 Garments Without Guilt and its antecedents

As garment companies opened up production facilities in rural factories, they encountered tension with local community members who were concerned about the influx of “Western” capital and its potential to corrupt local norms. It was not long before domestic factory owners realized the potential benefits of implementing practices to demonstrate to the 200 GFP villages that, despite the fact that they were producing for foreign markets and were capitalist, they were also morally responsible and upstanding (according to local norms). For example, they built community centers, contributed to schools, built housing, and ran “empowerment” workshops for female workers. They found that these programs improved relations with the community, increased productivity, reduced labor turnover, and increased the size of the labor pool. In other words, these responses to local concerns translated into economic benefits and increased trust. As a sustainability manager in one major Sri Lankan garment company said, “[i]n the beginning [corporate social responsibility (CSR)] was put in place mainly to build community loyalty with the company. [Factory owners] found that the benefits from the community were very high because there were fewer labor issues, riots did not affect factories, and they were well respected in the community” (Interview. Mount Lavinia, Sri Lanka, July 8, 2008).

Another CSR representative in a major garment company explained how Buddhist beliefs underwrote initial CSR efforts:

CSR is very recent, but in Buddhist culture it is very common to give a lot back to the community. The tradition was to give charity to the schools and temples. The general feeling is not to hold money, but to share the wealth. In Sri Lanka there is also a culture of putting a high priority on education and having high expectations (Interview. Colombo, Sri Lanka, July 1, 2008).
These Buddhist values increased the emphasis of early Sri Lankan CSR practices on sharing wealth and promoting education. When the Boxing Day tsunami struck in December, 2004, apparel companies were very engaged in tsunami relief efforts and sponsored several projects for rebuilding the affected communities. The scale of the disaster strengthened the will of company owners to “give back” for both altruistic and self-interested reasons (such as improving the local image of the garment industry), and it strengthened ties between the apparel industry and development NGOs.

Due to these circumstances, Sri Lankan industry leaders seriously bought into CSR practices even though at first they were not labeled as such or driven by global buyers. With the rise of popular anxieties about the potential threats of globalization to previous social norms, communities and citizens put pressure on the state to change its development strategy and to maintain Sinhala Buddhist ethical values, and these values had been strongly influenced by colonial (British Victorian) notions of female sexual purity, cleanliness, and domesticity. At a local level, they put pressure on factory owners to share wealth, invest in the community, and protect the virtue of “our girls.”

4.3.1 The Garments Without Guilt Initiative

The quota phase-out inspired several Sri Lankan apparel industry associations to organize under the name JAAF and formulate a strategic plan to stay competitive in and survive an intensifying landscape of global competitiveness. Among the opportunities, the plan listed the promotion of “Sri Lanka as a socially responsible manufacturer of apparels” (JAAF, 2002). They had observed that consumers increasingly demanded more socially responsible products, and they had received feedback from buyers that Sri Lanka’s lack of child labor, high health and safety standards, and ratification of ILO
conventions put them in a strong position relative to competitors. To take advantage of these strengths, JAAF recommended continued progress towards meeting global standards and suggested an accreditation scheme to recognize plants that do so. Thus, the idea of marketing the country as “ethical” through a certification scheme first emerged in JAAF’s 2002 strategic plan. A survey of buyers provided further fuel to the fire of formalizing an ethical brand, because buyers considered Sri Lanka among the best in the world for ethical production.

The GWG branding effort officially started in 2006, with funding for marketing from the Sri Lankan government and for other operations from industry contributions (Loker, 2011). Technically speaking, GWG can be considered a social label as far as it is an effort to brand the country’s industry as “ethical” and create a baseline of standards with the certification. However, it does not currently involve putting actual labels on finished products because buyers have, thus far, refused to do this. Moreover, GWG does not yet have the bargaining power to secure a price premium from buyers (or end consumers), which several industry leaders considered a serious problem during a forum on ethical fashion at the 2010 Sri Lankan Design Festival. Because of the lack of a direct benefit such as a price premium, GWG has had trouble retaining factories in the certification. Factories that seek to be GWG certified are required to pay for an annual audit, ranging from $500 to $2000 depending on the size of the factory.

32 Sri Lankan industry respondents say buyers are reluctant due to multi-country sourcing for the same products.

33 Financial assistance was available for small and medium sized enterprises.
third-party auditing firm, SGS, conducts annual audits (the only auditing firm for the program).

Although standardized compliance codes are at the root of the GWG brand, there is also a focus on “best practice” stories that document community-oriented initiatives. In this way, the initiative balances a set of standards with a story-telling approach that emphasizes unique strengths and innovations that specific companies have been implementing since the 200 GFP. These stories are prominently featured on the program’s website.

Table 7: Comparison of Garments Without Guilt Principles with Other Standards

<table>
<thead>
<tr>
<th>Protection</th>
<th>International Labor Organization Core Labor Standards</th>
<th>Ethical Trading Initiative Base Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ethical Working Conditions</td>
<td>1. Elimination of forced and compulsory labor</td>
<td>1. Employment is freely chosen</td>
</tr>
<tr>
<td>2. Free of Child Labor</td>
<td>2. Abolition of child labor</td>
<td>2. Freedom of association and the right to collective bargaining are respected</td>
</tr>
<tr>
<td>3. Free of Forced Labor</td>
<td>3. Elimination of discrimination in respect of employment and occupation</td>
<td>3. Working conditions are safe and hygienic</td>
</tr>
<tr>
<td>5. Free of Sweatshop Practices</td>
<td></td>
<td>5. Living wages are paid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6. Working hours are not excessive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7. No discrimination is practiced</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8. Regular employment is provided</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9. No harsh or inhumane treatment is allowed</td>
</tr>
</tbody>
</table>

Progression
1. Rural Poverty Alleviation
2. Women’s Empowerment
3. Education
4. Environmental Initiatives
5. Better Quality of Life


Table 7 compares the GWG principles with the ILO Core Labor Standards and the ETI Base Code, two of the most commonly used compliance standards. Eliminating
forced labor, discrimination, and child labor figures prominently in all three. ETI and GWG focus more on working conditions, with ETI breaking that down into more specific focus areas such as working hours, safety, regular employment, and humane treatment. However, one of the standards is conspicuously absent from the GWG principles, namely the provision for freedom of association and collective bargaining. Although GWG charter does recognize freedom of association, the absence of a core principle supportive of it is an indicator of the contentious atmosphere of unionization in Sri Lanka. Indeed, NGOs and trade unions that I interviewed criticized the apparel industry for being anti-union and, historically, substituting management-appointed committees for independent unions. As in many countries, this is an ongoing political struggle in the apparel industry.

Consistent with its origins, what stands out about the GWG principles is the focus on broader development themes rather than compliance standards alone. The mission of GWG is “[t]o employ ethical practices thereby contributing to the economic development of the country while improving the quality of life of our apparel industry’s workforce and their communities. Our core values, combined with enlightened legislation, makes Sri Lanka a truly socially responsible and preferred destination for apparel sourcing,” (JAAF, 2009a). Themes such as “economic development,” “quality of life,” and “communities” emphasize the importance of extending the scope of ethical initiatives beyond the factory and the immediate employment relation. It is, as Polanyi (1957) would say, a more embedded understanding of ethical responsibility. In fact, the program’s materials state explicitly:

One cannot better lives of people without a clear understanding of the key issues that confront them, both professionally and personally. That is why our mission has progressed beyond the workplace to the community to include pro-people initiatives like women’s empowerment and poverty alleviation in rural areas.
These are two issues that have a profound impact on the quality of life of our people and the development of our society, (JAAF, 2009b).

Although the mission incorporates concepts that are abstract such as “empowerment,” the mission statement alludes to specific projects that companies started in response to local concerns over the location of export-oriented factories in rural villages under the 200 GFP program. Companies initiated these projects to build loyalty with the local community and share wealth according to the local expectations of what a “good” employer should do.

MAS Women Go Beyond was one of the “best practice” initiatives that brought attention to Sri Lanka as an innovator in ethical production. MAS Holdings is one of the largest domestic apparel companies on the island, and the Chief Executive Officers (CEOs) have been active in JAAF. MAS Women Go Beyond started in 2003, and it focuses on “empowering” women through career advancement, skills development, work-life balance initiatives, and rewarding excellence. Gap, Inc. co-sponsored Women Go Beyond for several years, but does not do so any longer. MAS Holdings defines an empowered woman as, “One who is secure in the knowledge of herself, her abilities, and is able to tread the balance of fulfilling her career aspirations with the demands of personal life,” (Jayasuriya, 2011). The main programmatic elements are training workshops in soft skills such as making presentations and technical skills such as computers, financial management, and English. There are also workshops on gardening, sports activities, and other artistic interest groups such as singing or dancing. For promoting work-life balance, counselors are available on site certain days of the week, and there are workshops on sexual and reproductive health, domestic violence, and stress management. The program was written up as an INSEAD case study, an IFC Market
Movers case study, and in several UN Global Compact publications (IFC, et al., 2007; Jinadasa, 2007; Story and Watson, 2006).

Another community-oriented initiative is the Brandix Care for Water: Care for Women program. Started in 2004 (with a different name), this initiative was based on the realization by company owners that many workers were spending a great amount of time walking to get water before and after work. They reasoned that if they could help improve access to water for their workers (“associates”), then the workers would come to work less tired, more healthy, and more satisfied with their employer. Every year, Brandix invites applications from workers for water infrastructure, interviews workers, short-lists them, and then visits the locations before making a decision on which projects to fund. Over 500 water projects have been completed so far, with more scheduled in future years. Brandix staff see this as a way to contribute to development and the state’s pledge to provide access to clean water to all Sri Lankans, as well as a way to build loyalty with communities and its workforce. They also collaborate with other NGOs on various projects, often related to water. The projects have received support from buyers and intermediaries such as Gap and MAST.

In other communities that hosted garment factories (but not typically near EPZs), garment companies led different community-oriented CSR projects such as funding an after school tutoring program for children of garment workers, a partnership with local farmers to supply food to the canteen, and building housing for tsunami victims and disabled war veterans. Small-scale programs such as a company funding a free meal for every shift for workers, comprehensive bus transportation networks, family days (for workers to bring their families to work), and competitive sports programs for workers are
also common. Even many small and medium sized factories that I visited had some sort of program for “giving back” to the local community or offering workers special assistance; for example, when flooding damaged their house. Finally, several managers and line supervisors prioritized establishing good relations between workers and their direct managers and supervisors, because they found that it helped with worker retention, recruitment, and productivity.

Factory Director: We have a lot of competition [for labor].... So, what we concentrate, mainly, on is the working environment. Because, even if the salaries are high, if you don’t have the correct working environment, they will leave. So, number one, that is what we are looking into—to create a better environment for the employees.

Goger: So, what does that mean to you, to create a better working environment? What elements are there?

Factory Director: The relationship between the supervisor and the employee, and helping them wherever necessary, and work—by keeping a certain mentality without upsetting them…. I take a main role in that, developing the culture—this is the environment that we should have. And when an employee comes in, he or she should come in with a happy face and with a free mindset, and they should go also the same way. That’s the motto that we expect, and that’s the motto that our managers also get…. So, that’s one thing that keeps others away, competitors away, because some of the factories pay more than us, but the working environment is not good (Interview. Southern Sri Lanka, September 23, 2011).

Healthy manager-worker relations are challenging to assess and measure, but several managers asserted that human resource training and respectful treatment of workers were among their highest priorities. Although management style is something that is extremely important for whether a worker feels their job is “good” on a day-to-day basis, global codes and monitoring systems have not prioritized these aspects of industrial relations and manager training very much.

Although it is now common in global ethical trade debates to emphasize the importance of establishing a business case for CSR, in Sri Lanka this type of approach
has been happening for a long time—even if it wasn’t labeled as such. Understanding the conditions that enabled a business case viable in the Sri Lankan context (at least in some places), and what some of the challenges and limitations are, is very useful for guiding future efforts to increase buy-in from suppliers. I am not assessing whether or not Sri Lanka Apparel has achieved the lofty goals that they have set out for GWG, nor am I arguing that replicating this model will guarantee “success.” Instead, I am trying to position local concerns and national development as one of several priorities in the first place. For example, further research could investigate the relationship between rural industrialization strategies and the willingness of suppliers to invest in CSR to see if the state zoning strategies make a difference in supplier buy-in. Incorporating these dynamics into the analysis of governance helps advance conceptualizations of “ethical” by challenging the notion that ethical trade can be reduced to universal standards.

Furthermore, by analyzing Sri Lanka’s more embedded approach to ethical governance, I am not suggesting that buyer-driven codes and compliance systems are not important in Sri Lankan apparel factories. Indeed, Sri Lankan apparel companies participate in a wide range of certification schemes and have invested large sums in global compliance of various sorts—including building an international reputation for “green” manufacturing (see Chapter Five). What I am saying is that GWG is a culmination of efforts by manufacturers to respond to a global audience of buyers and consumers, on one hand, and a local and national audience, on the other. Both forms of ethical authority are shaping factory practices in important ways.

Therefore, my argument is twofold. First, local and national concerns about globalization matter for what it means to be an ethical manufacturer, and these local and
national understandings of “ethical” can never be completely over-written by external ethical priorities. In other words, ethical standards are always already situated, embodied, and emerging relationally through space-time and place (Hart, 2006). By situating Sri Lankan apparel manufacturing in the context of state-led liberalization, colonial legacies, and domestic ethico-political debates, it is easy to see why many Sri Lankans perceive the moral authority of the West to be more ethically questionable than the domestic industrialists. Second, largely because of the tight labor market, the relevance of these concerns to the workforce and the surrounding community is what makes them more meaningful, valid, and self-sustaining than compliance codes. Because the factories made efforts to “share wealth” with the local community and “take care” of young women who worked there, families were more willing to send daughters to work there, turnover decreased, and productivity increased. At the same time, I am not arguing that these initiatives in Sri Lanka are without problems or tensions. I analyze some of the most significant tensions and problems in the next section.

4.4 Challenges and limitations of garments without guilt

…[MAS Holdings has] always worked with customers who have always been able to give us sufficient amount of cash—enough to invest in how we do business. We invested in ethical manufacturing because we had the margin to do that. As the interest moved from ethical manufacturing to sustainability, we stepped on that bus as well. But, working with that customer base gave us the opportunity to invest. We needed that additional margin. If we were working with customers at the value end of the market, I don’t know if we would have had the resources to be able to do that (Mahesh Amalean, CEO MAS Holdings, Ethical Fashion Forum, Sri Lankan Design Festival, 2010).

As Mahesh Amalean suggests, a focus on the high quality market has enabled Sri Lankan suppliers the breathing room to invest in more ethical and sustainable manufacturing. With the onset of the global economic crisis and the end of safeguards on
China, those margins began to shrink. This led to cutbacks in CSR and human resources staff in several companies; and, for many, it was a serious test of just how integrated compliance and CSR practices were with the core business model. These pressures also brought a major challenge for ethical trade into sharp focus: the increasingly uneven power dynamics in global production networks and the growing market power of large, global buyers, retailers, and first-tier suppliers. Under these circumstances, it is increasingly difficult for suppliers to capture value added, even in high quality niches.

The Chairman of JAAF, A. Sukumaran, further illustrated the growing sentiment of frustration and anxiety among Sri Lankan suppliers:

We don’t see that all the other partners in the value chain are equally contributing as what we are contributing: brands, retailers, consumer, input suppliers. We don’t see there is much contribution from the end consumer…. When it comes to brands, we have seen some progress but it does fall far short of our expectations. We embarked on ethical initiatives five to six years ago. It came from our efforts in the village. Unfortunately, the rewards from our partners were not meeting our expectations (A. Sukumaran, JAAF Chairman, Ethical Fashion Forum, Sri Lankan Design Festival, 2010).

GWG suppliers are starting to question whether buyers have sufficiently rewarded and valued their efforts. There is a concern that the burden of paying for ethical trade falls unevenly on suppliers (Ruwanpura and Wrigley, 2011). According to industry representatives, the cost of the GWG audit, the onset of the global recession, and “audit fatigue”34 has contributed to an erosion of support for the GWG certification. In fact, the number of certified factories listed on the GWG website declined from 121 in June 2010 to thirty-nine in June 2011, (JAAF, 2009c). Ultimately, this suggests that raising the

34 “Audit fatigue” is the perception among suppliers that they are overburdened by audits due to the need to be certified in numerous schemes in order to access export markets.
nation’s entire sector to a baseline standard, which GWG aimed to do, did not increase competitiveness as they had hoped.

These challenges are not unique to GWG, and the ethical trade debates have increasingly focused on promoting ethical buying practices (Oxfam, 2004; Traidcraft and Impactt, 2008). Still, because Sri Lanka Apparel has invested so much in the ethical brand, Sri Lankan suppliers are justifiably concerned about whether participation has become a liability in the ultra-competitive, cost-conscious state of the global apparel market today. Moreover, JAAF’s attempt to brand Sri Lanka at a national scale with the nomenclature, “GWG” by “Sri Lanka Apparel” makes it difficult for the industry as a whole to diversify risk without threatening the brand’s validity. In other words, the validity of a national ethical image will be called into question if a large segment of the industry were to abandon ethical apparel and pursue a lower cost approach instead. As it is, only roughly 20 per cent of factories were certified under GWG in June 2010.35 Industry representatives also reported that buyers were unwilling to substitute the GWG certification for their own audits as JAAF had hoped, because buyers wanted to maintain tight control over the monitoring process. Basically, GWG became an additional audit, which is a big reason why many factory managers decided not to get the GWG certification. For example, one company with 22 factories was audited 183 times in 2011, an average of over 8 audits per factory (almost once a month). Thus, national ethical branding initiatives, while offering the promise of increased orders from more ethically

35 This doesn’t necessarily mean that 80 per cent of the factories are out of compliance or not as ‘ethical.’ JAAF representatives cite an overabundance of (costly) audits as the explanation.
conscious buyers, also face the danger of constraining the industry’s capacity to diversify and adding to an already onerous auditing load.

A second challenge for GWG is the lack of emphasis on freedom of association, collective bargaining, and living wages. These issues are very high priorities for European and American ethical trade NGOs, but industry representatives at all levels are generally very resistant to them in Sri Lanka (and elsewhere). There is a very limited landscape of independent unions and a scant number of collective bargaining agreements in the Sri Lankan apparel sector. Although the country has ratified the ILO conventions related to freedom of association and collective bargaining, enforcement is weak at best (Sivananthiran, 2009).

The lack of progress on these issues severely limits possible alliances between GWG, ethical trade NGOs and unions locally in Sri Lanka, and international consumer-oriented activist groups that could help promote the ethical brand to enhance its visibility. Instead, these groups position themselves as adversaries to the industry in Sri Lanka (and vice versa), and dialogue and trust are limited. For example, one NGO respondent said that the JAAF did not engage workers or worker organizations in the drafting process of the GWG principles, argued that the GWG principles on working hours do not comply with national labor laws, and criticized the fact that GWG makes certification decisions rather than a tripartite body. Meanwhile, several industry respondents counter-argued that most apparel labor unions were very small, politically affiliated, unwilling to compromise on extreme positions, and pursuing their own interests rather than worker interests. There is a long history of adversarial relations between the industry and unions as well as between unions and local NGOs (a small group with strong personalities) that serves as
an additional barrier to forging new alliances (Biyanwila, 2011). On the world stage, these adversarial relationships and dialogue failures limit the capacity of GWG to gain credibility in American and European ethical trade circles.

A third challenge to GWG stems from the dual focus on standardization and customization in the principles. Having a certification scheme focused on common elements helps unify the GWG program and establishes a baseline for participation. At the same time, it may be cost-prohibitive for some factories, which gives larger suppliers an advantage. It may also divert resources away from other CSR projects that are a higher priority for workers, community leaders, or owners themselves. In addition, it may divert resources away from meeting the compliance standards of a global buyer (assuming they are not always overlapping), which may be more important in terms of generating orders in the short run, as opposed to having the more abstract potential of increased orders in the long due to certification by GWG. Also, there is a free rider problem, meaning that there is an incentive to reap the benefits of what GWG does for Sri Lanka’s international reputation without paying for the certification or participating in the audits and other activities. Overall, the GWG certification component seems quite sensitive to business cycles, market fluctuations, and other factors that compete with it for resources.

A fourth challenge to GWG lies in the unevenness of the geographies of ethical concern and authority. Although the customization of CSR in Sri Lankan factories has become one of the greatest strengths of the GWG initiative, this can also be a weakness when it means that some communities get a lot more investment than others. Comparing EPZs and villages, the problems EPZ workers face are different than the problems workers have in villages (many respondents also said EPZs have more problems).
Specifically, the social problems for EPZ workers include safety, theft, malnutrition, and unsanitary living conditions, whereas the social problems for village workers tend to be about domestic violence and struggles over changing income-earning roles in the household. Despite what seems to be a higher level of problems in the EPZs, industry respondents indicated that community-oriented investments (as opposed to workshops and programs for workers) were more prevalent in village-based factories than in the areas surrounding EPZs. Many respondents said that some ethically conscious buyers also preferred to source from village-based factories because they felt they had more control over the ethical trade programs there (whereas the government had more control in EPZs) and in villages they did not have to worry about the problems associated with having boarding houses. Therefore, the factory location shapes the predominant form of ethical authority (e.g., the state, buyers, community leaders) and the degree to which programs extend into the community or not. That makes it difficult to represent the GWG brand as a consistent entity that guarantees a certain measure of equality across production sites such that all workers’ and communities’ concerns matter to the same degree. It also suggests that the industry could ostensibly hold up certain “model” factories as symbols of ethical commitments while maintaining less ethical, lower cost facilities elsewhere.36

A final danger lies in assuming that the concerns and priorities of workers are always aligned with those of the surrounding community. Although these often overlap, there could be substantial instances in which the interests of the communities conflict

36 I do not have evidence to make this claim about Garments Without Guilt. I am only identifying this as a danger.
with those of the workers themselves. There is a risk in village-based factories, in particular, that GWG practices could reinforce certain forms of patriarchal control over the young women who typically work in the garment factories. Sandya Hewamanne (2008) found that even though the EPZs have bad reputations and the jobs are considered “bad,” many workers decide to work there in order to take advantage of a higher degree of independence than that which is possible in the village setting, which is characterized by higher levels of surveillance and control over young women’s activities. One could interpret the CSR practices of GWG as ways of mitigating what would otherwise be an untenable situation in which a worker is constantly under surveillance and expected to behave in a disciplined manner.

4.5 Conclusion

State-led development strategies and local/national ethical concerns about globalization mattered for the conceptualization and practice of GWG. Specifically, Sinhalese Buddhism, colonialism, the government’s 200 GFP program, and other factors led to the prioritization of sharing wealth with local communities, investing in infrastructure, and being mindful of the need to protect the virtue of young, female workers. These ethical norms are not the same everywhere, not even everywhere in Sri Lanka, but they were articulated strongly enough in the national industry context to manifest in some new forms of CSR. The Sri Lankan case suggests that no matter how much buyer demands change or which global ethical trends prevail at a given time, local and national concerns mediate how ethical trade programs are understood, how important they are considered to be, and how they are practiced. This is because ethical governance is political, unstable, embodied, historical, and contextual.
Hence, this GWG case study contributes to the GVC/GPN literature in several ways. First, it helps elucidate the role of non-firm institutions in GVC governance, specifically the role of local and national actors in making ethical demands of globalizing agents (export-oriented garment firms). Second, the case confirms Bair’s (2008) assertion that GVC and GPN frameworks can be used in a complementary fashion, because despite the importance of local and national actors in Sri Lanka, buyer-driven governance is still very powerful. Specifically, firms have to constantly juggle ethical priorities, appease different audiences, and make wise short and long-term decisions to sustain production in a given location. Finally, more embedded forms of CSR provide opportunities for unconventional alliances between firm and non-firm actors around particular forms of ethical governance (but not necessarily all).

The GWG case can also inform ethical trade debates. It highlights the importance of questioning the assumption that standards are universal and that the boundaries of ethical trade and responsibility end at the factory gate. Second, it suggests that going “beyond monitoring” is very complex and that it can be hard to juggle multiple concerns and priorities at the same time. Third, growing competition in the global apparel market has decreased the bargaining power of suppliers, and evidence from Sri Lanka suggests that this has constrained the capacity of suppliers to implement higher ethical standards even when they are already engaged in doing so. Fourth, more embedded ethical trade practices bring new opportunities, but also new dangers and risks for the firm and the community. Finally, being able to reap benefits from addressing local and national concerns (e.g., these programs secured a larger supply of labor, higher productivity,
lower labor turnover) helps increase firm-level buy-in for CSR, which has been a struggle to achieve elsewhere in the world.

There are also some specific insights that the GWG case can offer to the debates about the potential for social upgrading to lead to global competitiveness. The national orientation of this ethical branding initiative has brought about some important challenges for GWG. The free rider problem may be a disincentive for firms to participate, getting and sustaining membership seems to be a challenge, and the piecemeal approach to programming makes it difficult to assess the overall commitment to more ethical practices. In addition, GWG struggles with a lack of credibility among more conventional ethical trade advocates due to the absence of emphasis on components such as freedom of association, collective bargaining, and living wages. Finally, Sri Lankan industry representatives have expressed concerns about how to share the burden of paying for ethical apparel, not getting a price premium from buyers, and buyer’s reluctance to use the GWG audit in place of their own audits. These findings suggest that although there may be a local “business case” in Sri Lanka for ethical programs (e.g., higher productivity, lower turnover), the suppliers did not feel that this attempt to “raise the floor generally” in Sri Lanka led to more orders or higher price points from buyers. In this sense, it did not work as a global competitiveness strategy directly, but perhaps it did indirectly by improving recruitment and retention of a more experienced and skilled labor force.

Further research is needed to understand the ways in which embedded CSR projects—beneficial as they may be—also may place new constraints and obligations on populations that have few alternatives. Additionally, more research is needed on the
degree of variation in ethical practices throughout the industry. For these reasons, it is important not to romanticize embedded CSR projects and to learn more about their dangers as well as opportunities. As the GWG case demonstrates, making ethical trade interventions, like other innovations, is a political process of creative destruction and social change. It is always a struggle, always carries risks, and is never complete. The next chapter takes a more in-depth look at some the debates and struggles between buyers and suppliers, through an initiative to promote new environmentally friendly apparel manufacturing.
CHAPTER FIVE:
Sri Lanka’s eco-factories: A “business case” for whom?

You might have heard about the paradigm shift: how companies have moved away from philanthropy into corporate social responsibility, and now it’s about sustainability and it’s about—it’s just making a lot of business sense as well. And they see it not as a branch or as a thank you, give back to society, but it’s an integral part of being a company operating in society.

-Corporate CSR Manager, Colombo, Sri Lanka, 2011

The speaker above used the words “paradigm shift” to convey how her job has changed over the last five years. The old paradigm emphasized philanthropy and achieving a basic level of compliance with international standards, while the new paradigm is about “business case” CSR. Put simply, the business case perspective frames CSR as an opportunity to generate “shared value” rather than seeing CSR as a burden or a cost (Porter and Van der Linde, 1995; Porter and Kramer, 2006). In other words, this business case perspective has been framed as a strategy for ensuring that CSR is “paying its own way” (Carroll and Shabana, 2010). Business case approaches to CSR have especially proliferated since the global economic crisis of 2008, which intensified competition and spurred buyers to align CSR activities more with core business functions.

37 This chapter was published in GeoForum, 47, Annelies Goger, The making of a “business case” for environmental upgrading: Sri Lanka’s eco-factories, 73-83, Copyright Elsevier (2013).
A related trend in CSR initiatives is a emphasis on environmental sustainability, in part because of its cost-saving potential in manufacturing processes (Dauvergne and Lister, 2012). British buyer Marks and Spencer (M&S) has staked out a leadership position in this shift, seeking to become, “the world’s most sustainable major retailer by 2015” (Grayson, 2011:1017). When M&S launched a CSR initiative called “Plan A” in 2007, it used a business case logic. M&S staff broke Plan A down into specific measurable elements, targets, and results so that they could make a compelling business case for internal and external stakeholders (shareholders, employees, suppliers, and customers) that Plan A was saving, not costing the company money.

This chapter explores value chain governance from the perspective of buyer-supplier relations, examining a novel environmental upgrading initiative and the struggles that ensued over who creates and captures the gains from it. In doing so, the aim is to show how uneven power dynamics are reproduced through upgrading in GPNs and to examine what this means for conceptualizations and practices of ethical trade. Specifically, I analyze the politics of formulating a “business case” for environmental upgrading initiatives by studying three model eco-factories in Sri Lanka that originated from an M&S Plan A pilot project. Two of these factories were built in partnership with M&S, and a third was built by another supplier without a direct partnership with M&S or any other buyer. Given that these model eco-factories are among the first “green” apparel factories in the world, this research sheds light on how and why they came about in Sri Lanka and for whom there was a business case for environmental upgrading. It also addresses significant gaps in the literature pertaining to recent shifts in CSR and ethical trade practices.
As one of the first Plan A projects in 2007, M&S employees decided to pilot four model environmentally friendly factories for apparel, referred to herein as “model eco-factories.” M&S employees sought a set of “win-win” (environmentally friendly and cost saving) “greening” practices that they could use as a benchmark for their entire apparel GVC. So far, from the perspective of M&S, Plan A and the model eco-factories have been a great success. The company expanded Plan A in 2010, and it now certifies eco-factories with protocols developed from the four model factories noted earlier. But what happens when you look beyond the buyer, into their supply chains? For whom exactly is there a business case for environmental upgrading in the GVC?

Environmental upgrading appears to have delivered competitive advantages for the model eco-factory suppliers in Sri Lanka, boosting their reputation for sustainability leadership and establishing a baseline for green apparel manufacturing. However, the model eco-factories were built by firms that had substantial financial and managerial resources to invest in environmental upgrading, that were well positioned to benefit from early mover advantages, and that (at the time of research) had not yet recouped their investments. Because suppliers are disproportionately bearing the costs and risks of investments in environmental upgrading in an unstable and intensely competitive trade landscape, I argue that the broader business case for environmental upgrading is limited. This means that there do not appear to be strong enough incentives to generate widespread changes in supplier environmental impacts. Furthermore, there is a danger that environmental upgrading will contribute to further consolidation in domestic apparel sectors worldwide (Staritz, 2011), as buyers use environmental upgrading to get a lower

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38 This included two in Sri Lanka, one in China, and one in the United Kingdom.
price from suppliers and benefit from a “green” image at the same time (Barrientos, 2013; Ruwanpura and Wrigley, 2011; Toklati, et al., 2008).

There is a scarcity of research on how environmental upgrading in GVCs shapes buyer-supplier relations and supplier competitive advantage (exceptions include Jeppesen and Hansen, 2004 and De Marchi, et al., 2012), especially in the apparel industry. Moreover, the business case claims by buyers and ethical trade organizations remain largely unexamined in the ethical trade literature. The model eco-factory cases in Sri Lanka suggest that supplier buy-in cannot be assumed a priori in business case approaches to CSR, even with the cost-saving potential of environmental upgrading. Contributing to a growing critical literature on upgrading in GVCs, the findings suggest that the gains from environmental upgrading may not be adequately shared with suppliers. Furthermore, based on previous research, the gains that are shared are likely to erode as the practice becomes more commonplace (Brewer, 2011; Schrank, 2004; Tokatli 2012).

After situating the case in the ethical trade and upgrading literatures in Sections 5.1 and 5.2, Section 5.3 examines how and why M&S and Sri Lankan suppliers invested in environmental upgrading. I show that a series of place-based factors, firm characteristics, a pre-crisis economic landscape, and early-mover advantages made it possible for the model eco-factories to make “business sense” to the suppliers that built them. Section 5.4 takes a broader look at sector-wide dynamics, examining a debate between buyers and Sri Lankan suppliers over “who pays” for environmental upgrading. I show how M&S employees are trying to “change the mindsets” of suppliers in order to promote environmental upgrading. However, suppliers in Sri Lanka are still ambivalent
about environmental upgrading. Although they see the importance of environmental stewardship and reducing energy costs, many are concerned that the returns on investment in environmental upgrading are too uncertain for suppliers for it to make business sense. Overall, this research suggests that making a business case hold through buyer-supplier relations in the supply chain depends not only on the creation of a new surplus but also on how much the surplus is distributed throughout the chain—and what mechanisms are in place to do so.

M&S and Sri Lanka were selected because they represent a revelatory, novel case of eco-friendly upgrading in apparel industry production networks (Yin, 2003). Supplementing that with data from non-eco-factories enables me to understand how environmental upgrading was debated in the broader industry sector, rather than restricting the analysis to firms that built model eco-factories. In addition, multi-sited fieldwork in the UK with M&S staff and ethical trade organizations and in the US with globally active environmental organizations allows me to analyze the global dynamics of environmental upgrading in geographically dispersed GVCs (Burawoy, et al., 2000; Friedberg, 2001).

Participating in the Sri Lankan Design Festival in 2010 was particularly useful for this chapter because I observed panels and debates in Sri Lanka that were specifically about environmental upgrading and ethical trade. I carried out research in the three model eco-factories as part of my larger sample to conduct interviews, observe manufacturing practices, and gather secondary materials. To protect privacy and prevent harm, I have
omitted all participants’ names and refer to the model eco-factories as Plants A, B, and C.  

5.1 Business case corporate social responsibility and the environmental turn

The growing emphasis on business case CSR is, in large part, a response to criticisms of the voluntary codes and monitoring (“compliance”) systems that buyers implemented to address “governance failures” in global supply chains such as child labor and hazardous working conditions (Esbenshade, 2004; O’Rourke, 2003; Pearson and Seyfang, 2001). As mentioned in Chapter Two, many activist groups and academics asserted that monitoring has limited effectiveness for improving compliance (Barrientos and Smith, 2007; Esbenshade, 2004; Hale, 2000; Nadvi, 2008; O’Rourke, 2003). They criticized how buyers were using complex supply chains to evade accountability, applying their market power to get lower prices while also demanding higher compliance, and failing to incentivize improved compliance. (Barrientos, 2013; Esbenshade, 2004; O’Rourke, 2003; Oxfam, 2004).

In response to these criticisms and the recognition that compliance was moderately effective, at best, some buyers and third-party CSR organizations experimented with new approaches to CSR (BSR, 2007; Impactt, 2012; Locke, et al., 2007; Nike, 2004). Business case CSR has been one of the most widely adopted of these new approaches, especially among buyers (Carroll and Shabana, 2010). Business case CSR advocates argue that aligning CSR with core business practices is an opportunity to gain competitive advantage through cost savings, brand enhancement, or both (Porter and

39 The assigned letters are consistent with those in Table 3.
Kramer, 2006; Porter and Van der Linde, 1995; Orsato, 2006). They see business case CSR as an opportunity for innovation and claim it represents a new generation of CSR, or “CSR 2.0” (Carroll and Shabana, 2010). However, it remains to be seen how the results of “new” CSR substantially differ from those of “old” CSR. Palmer, et al., (1995) critiqued business case CSR claims, arguing that compliance with environmental regulation does increase costs for most firms. Similarly, Blowfield (2005) questioned how much alignment is possible between business and development goals. Nevertheless, the implementation of business case CSR accelerated in the mid-2000s (BSR, 2007; Carroll and Shabana, 2010).

The business case CSR trend has coincided with an environmental turn in CSR since 2005 (Orsato, 2006; Dauvergne and Lister, 2012). Because of the cost-saving potential of conserving resources such as energy and the potential for niche markets, several buyers are building their CSR strategy around environmental sustainability or “going green,” including Wal-Mart (Humes, 2011; Dauvergne and Lister, 2012; Lai, et al., 2010). For example, almost half of the sessions at a leading CSR conference, the 2011 Business for Social Responsibility conference, explicitly included environmental themes as a session topic, and Al Gore was the keynote speaker. Global environmental organizations have also used a business case logic to promote sustainability (NRDC, 2010). Therefore, the model eco-factories are part of a broader movement towards eco-friendly, business case CSR.

The vast business management literature on green supply chain management and the natural resource-based view is helpful for shedding light on how and why buyers engage in environmental sustainability programs (Lai, et al., 2010; Orsato, 2006; Porter
and Kramer, 2006). The natural resource-based view asserts that a firm’s capacity to acquire and manage natural resources strategically can lead to cost and service advantages (Hart, 1995; Lai, et al., 2010; Orsato, 2006). This perspective focuses on firm strategies for pollution prevention, product stewardship, and sustainable development, seeing these as potential sources of competitive advantage (Hart, 1995). However, this literature is less helpful for understanding green manufacturing from supplier’s point of view, the dynamics of coercion and collaboration along the entire value chain, and the effects of environmental upgrading on industry sectors more broadly (De Marchi, 2011). Green supply chain management studies also tend to focus on one element or “best practice,” rather than theorizing broader power dynamics and relations of governance (Srivastava, 2007). As Bolwig, et al. (2010) assert, “a challenge lies in adapting existing [natural resource management] research methods to a value-chain context, and in assessing technology and other spill-over from the value chain to the local area and community” (p. 183). Within the GVC literature, however, environmental upgrading has not yet been extensively theorized (De Marchi, 2011; De Marchi, et al., 2013; Jeppesen and Hansen, 2004). Therefore, the Sri Lanka case helps to advance understandings of the relationship between environmental upgrading, governance dynamics, and competitive advantage in GVCs. Specifically, I contend that what’s new with eco-friendly, business case initiatives is that they have potential to improve environmental impacts and cost competitiveness among suppliers that were already financially and managerially able to implement environmental upgrades. However, what’s old is that buyers are benefiting from a “green” image without having to pay for it, because they continue to shift the cost of investing in compliance to suppliers.
5.2 Revisiting theories of upgrading in apparel global value chains

The upgrading hypothesis in the GVC literature draws on Michael Porter’s work in the business management literature (Porter, 1990). Through organizational learning, GVC scholars assert that upgrading enables economic actors (e.g., firms, industry sectors, workers, nations) to become more adaptable to changing market dynamics in the global economy and ultimately to capture higher rents in the GVC (Gereffi, 1994; Gereffi, 2005; Kaplinsky, 1998). In this sense, upgrading is considered a win-win development trajectory that enhances economic competitiveness and social well-being, which makes it similar to the notion of value sharing in the business case literature (Porter and Kramer, 2006). However, the GCC/GVC concept of upgrading is different from Porter’s because of its emphasis on a unit of analysis that is broader than just the lead firm (the buyer in apparel), including the division of labor and power relations between a range of economic actors (Gereffi, 1994; Gereffi, 2005). Therefore, the GVC literature provides an analytical framework better adapted to asking how uneven power dynamics in the chain shape who gains from upgrading than the business literature.

In this chapter, I engage with the critical upgrading literature to examine whether or not upgrading actually leads to higher value capture by suppliers (Pickles, et al., 2006; Schrank, 2004; Tokatli, et al., 2008; Tokatli, 2012). Considering the Schumpeterian innovation cycle described in the introduction, if the innovating firm does not have a temporary monopoly (a period of high returns and ownership rights to those returns) to

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40 This similarity is not coincidental—GVC scholarship builds on Michael Porter’s work, among other influences (Bair, 2009; Gereffi, 1994).

41 There are also debates about the GVC framework itself. For a thorough discussion, see Bair, 2008; Henderson, et al., 2002; and Coe, et al., 2004.
recoup the upgrading investment, then the incentive to upgrade diminishes, returns accrue to the buyer/consumer, and small and medium sized firms face a structural disadvantage for upgrading (Tokatli, et al., 2008). Moreover, as the upgrading strategy becomes more widespread with the entry of competition, rents diminish (Kaplinsky, 1998; Schrank, 2004). Thus, for environmental upgrading, the critical upgrading literature highlights the importance of understanding the mechanisms for sharing the gains from upgrading and how diffusion affects incentives to invest in further upgrading (Tokatli, 2012). The next section begins the analysis of environmental upgrading by examining the conditions under which the model eco-factories came about.

5.3 Model eco-factories

Although the idea to build model eco-factories originated at M&S, implementing them was very much an interactive, if not supplier-led, endeavor. Therefore, a high level of supplier buy-in was essential. This section compares the strategies and motivations behind building the model eco-factories for M&S and the three suppliers.

5.3.1 Plan A: integrating CSR into core business practices

Founded in 1884, M&S is one of the leading food and clothing retailers in the UK, with annual UK revenues of £8.7 billion, 703 retail stores nationwide, and a UK clothing market share of 11.7 percent (M&S, 2011). Having a long-standing reputation for being a well-managed and trust-worthy brand (Mellahi, et al., 2002), M&S’s market niche is decidedly middle-class. Their typical customer is a middle-aged woman from 35 to 50 who is concerned with getting reliable products at a good value. In 2006, M&S did an internal customer survey and found that 80 percent of their customers wanted to know
more about where their products were made. Increasingly, M&S staff found that customers demand quality not only in terms of design and comfort, but also in terms of being responsibly produced.

Yet, when I asked an M&S Plan A informant whether consumers are willing to pay more for eco-friendly apparel, the reply was:

Our consumer research was showing growing expectations from customers to focus on climate change… but it was vague… They didn’t want to pay a premium for it, they didn’t want to know all the details of how and what, but they did say, “We expect you to take care of this on our behalf.”

Therefore, as M&S employees understand, what their consumers want is a vague sense of trustworthiness. Like many buyers, M&S staff grappled with how to meet the dual consumer demands of being ethical and cost competitive, or “value for values” (Hughes, 2012). Business case CSR offered a solution: align a CSR focus on sustainability with their core business strategy to convert CSR from costs to savings (Grayson, 2011).

M&S CEO Stuart Rose announced the launch of Plan A in 2007, with the tagline: “Plan A because there is no Plan B for the one planet we have.” Plan A included a set of 100 ethical commitments that they aimed to achieve in five years. The overall strategy for embedding Plan A into their core business was to measure their progress towards Plan A commitments and cost savings over time, pilot Plan A projects with a dedicated “innovation fund,” and use the pilots as a learning experience for the rest of their operations. With leadership from the highest levels of the company, Plan A was

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42 Source: Interview with M&S staff, April 2011.
implemented internally among roughly 75,000 M&S employees and approximately 2,500 suppliers globally (Grayson, 2011).  

Internally, Plan A was not primarily set up within M&S as a separate CSR department; it became part of each employee’s job responsibility. Progress towards Plan A commitments was incorporated into annual employee evaluations and linked to annual bonuses. Even senior executives’ bonuses were tied to key performance indicators for Plan A (Grayson, 2011). For 2012, these key indicators were involving customers, making Plan A “how we do business,” climate change, waste, fair partner, and health and wellbeing (M&S, 2012). Even so, there are some dedicated Plan A staff that analyze Plan A progress and use the results to promote further buy-in, so there is a combination of individualized and centralized accountability structures.

5.3.2 Piloting eco-factories for Plan A: enhancing supplier competitiveness

Externally, M&S uses pilots and strategic partnerships with suppliers to get buy-in from their broader supply network. The model eco-factories were one of several pilot projects, which were undertaken at different levels of the organization such as in retail stores, product design, and supplier partnerships. An M&S employee involved in the creation of the Sri Lankan eco-factories described the project as a learning-oriented endeavor:

The thought process was that we would create a small number of model eco-factories, because nothing existed at that time—it was quite pioneering. We would try and create those factories that would stand as model learning experiences for the broader manufacturing community (Interview. London, United Kingdom, April 5, 2011).

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43 Note: this includes food suppliers.
Thus, the model eco-factories came early in Plan A and aimed to build support for the idea that environmental upgrading could enhance supplier competitiveness in the long run. The pilots involved implementing green design and work processes such as rainwater catchment, water recycling, solar power, waste reduction, eco-friendly dyes, and energy efficient cooling systems.

M&S first approached suppliers in Sri Lanka about the model eco-factories in 2006, before the onset of the global recession in 2008. Several factors contributed to the decision to select Sri Lankan suppliers. The Sri Lankan suppliers had well-established relations of trust with M&S after twenty years of doing business together, M&S participants felt that Sri Lanka offered a compelling environmental story as a tropical country, and the apparel industry had strong political influence with the Sri Lankan government (as the largest manufacturing sector) so the projects could be completed quickly.

Each of the model eco-factories built as new construction cost roughly (US) $5-7 million, which was approximately 30 percent higher than a conventional factory. Although M&S did contribute seed funding for the model eco-factories, it was a very small share of the overall cost. For example, at one of the plants M&S contributed 5.6 percent of the total investment, with the supplier funding the rest. Moreover, M&S did not offer a price premium (a higher price per unit), nor did they commit to higher orders or long-term contracts.44 At one plant, M&S had an exclusive purchasing agreement (meaning there were no other buyers) that initially ran for three years and was later

44 Because supplier representatives estimated it would take 5 years to recover the investment, “long-term” means 5 years or longer.
extended. The agreement at another plant was not exclusive and managers confirmed there was no price premium, order quantity increase, or long-term contract. The third plant also supplies M&S (and other buyers) but did not officially partner with M&S on the model eco-factory or receive seed funding from any buyers. M&S representatives contend that the returns come from the long-run advantages such as lower energy costs rather than more immediate market signals. Therefore, even though M&S has done more than other buyers to engage and share practices with its suppliers, the business case that M&S actually offers potential eco-factory suppliers is based on a nonspecific suggestion of future market access advantages that come from lower operating costs.

5.3.3 Sri Lankan apparel industry: an “ethical” competitiveness strategy

To understand what made investing in model eco-factories attractive to the three suppliers, it is necessary to situate these projects in the national and industry-specific context. The garment industry is the country’s most important source of industrial employment (Kelegama and Wijayasiri, 2004), which is relatively scarce because the civil war hampered more widespread industrialization from 1983 to 2009 (Gunatilaka, et al., 2009). In addition, Sri Lanka has a history of relatively strong labor regulations and a relatively highly educated workforce compared to other garment producing countries (Knutsen, 2004; Ruwanpura and Wrigley, 2011). Sri Lanka also has strong partnerships with branded companies relative to competitor countries (such as M&S, Nike, and Victoria’s Secret), and a high share of domestically owned firms. This national context

45 M&S holds supplier conferences and has an online portal for suppliers to exchange information. They also have specific protocols and steps for M&S eco-factory certification (Marian, 2011).
has enabled the Sri Lankan apparel industry to occupy a higher-end position in global apparel markets, specializing in products such as brassieres and crafting a reputation among buyers for more ethical production (Goger, 2013; Knutsen, 2004; Ruwanpura, 2012; Ruwanpura and Wrigley, 2011).

However, the industry faced many competitive challenges with the phase out of the MFA in 2005 and the onset of the global economic recession in 2008. To stay competitive, the industry pursued a variety of upgrading strategies, including the “ethical” sourcing strategy that emphasized the “win-win” approach of meeting buyer demands for compliance and improving workforce recruitment and retention. Despite these strategic efforts to establish a stronger position for Sri Lanka in global apparel markets, Sri Lankan suppliers contend that the uneven power dynamics in the buyer-driven networks have limited their ability to capture the gains from upgrading—an ongoing trend (Knutsen, 2004; Ruwanpura and Wrigley, 2011). As a result, the industry has rapidly consolidated but maintained stable exports and relatively stable employment (see Chapter Two).

These data are consistent with findings from my interviews that the largest firms have generally succeeded in establishing a business case for environmental upgrading, but small and medium-sized firms appear to be increasingly excluded from these higher-end, “ethical” market niches. The largest, locally-owned firms that have emerged as dominant in the export sector are the same companies that built the model eco-factories. Therefore, it appears that the industry-wide dynamics of consolidation and upgrading have positioned particular large firms exceptionally well for building the model eco-factories. For those firms, environmental upgrading fit well with existing sector-wide
strategies of upgrading, enhancing buyer partnerships, and building a reputation for ethical production. As large firms, they also had the resources to make large upfront investments in environmental upgrading, capacity to hire in-house environmental expertise, and stronger influence with the government as industry leaders.

5.3.4 Large firms use model eco-factories to differentiate Sri Lankan apparel

In addition to trying to meet a basic standard of environmental compliance, the three large suppliers relied on the model eco-factories to differentiate their firms and become world leaders in more eco-friendly apparel manufacturing. They did this in several ways. First, they built the factories rapidly (in less than two years) to ensure that they could achieve early-mover advantages. For similar reasons, they emphasized the creation of an eco-friendly aesthetic (such as giving workers green uniforms and having plants on the factory floor, Figure 12). The Economist (2008) estimated half of the extra cost of building one of the model eco-factories was for aesthetic and promotional purposes. All of the factories are spacious, light, and clean—an intentional effort to combat the sweatshop image of apparel production in consumer markets. For example, people on a tour commented that one eco-factory looked like a five-star hotel. The health and safety standards are very high, and the plants have common elements, such as a focus on green building design, energy and water conservation, and waste management (Table 8).
A second way that the suppliers used the model eco-factories to differentiate their firms was through adding environmental expertise. Although M&S played some role in connecting the suppliers to consultants and giving feedback on plans, the suppliers basically gained expertise by hiring environmental engineers and sustainability managers internally. This was necessary because of the complex technical and managerial aspects of a comprehensive environmental upgrading project, which included promoting a workplace culture of conservation, problem solving, and measurement. In addition, having these staff on hand enabled Plant C to set-up the country’s first green power
purchasing agreement, which facilitates future green power projects. Moreover, because environmental certifications, such as the International Organization for Standardization (ISO) 14001 certification system, are important for establishing credibility as an eco-friendly operation, the companies used in-house technical expertise to ensure that they had multiple environmental certifications. Further research is needed to analyze how these new forms of expertise shape the bargaining power of these suppliers in the future. Both M&S staff and eco-factory managers considered environmental expertise to be an important gain for the model eco-factory suppliers.

A third strategy for maximizing returns from the greening effort was to combine the greening process with other organizational changes underway to maximize quality, productivity, and efficiency. This took different forms. For example, two of the three suppliers were implementing lean production systems, which focus primarily on waste elimination. The companies found several areas of overlap between waste reduction for greening and waste reduction for lean purposes, which is consistent with other research (Mollenkopf, et al., 2010). For example, brands often required the suppliers to burn rejected garments for brand protection purposes. However, the suppliers got permission to “upcycle” rejected garments, meaning they hired designers to re-design garments from the rejected fabric and then sold them. They described this as “transforming waste into value.” Nevertheless, there are also ways in which the goals of green and lean manufacturing conflict; for example, producing smaller batches more frequently

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46 Green power purchasing agreements are legal frameworks that enable a green power facility to sell electric output to a specific customer for a predetermined period. One of the model eco-factories created the first such agreement in Sri Lanka. They paid a 1 Rupee per unit (twelve percent) price premium, 95 percent of which went to a small hydropower producer.
increases transportation emissions (ibid.). Managers in Sri Lanka reported ordering more environmentally friendly dyes from Germany rather than from closer input suppliers, which conflicts with lean principles by making lead times longer.

Another form of combining the greening process with other initiatives involved integrating greening more deeply into existing CSR programs that aim to reduce labor turnover and increase recruitment (see Chapter Four). Two of the model eco-factories already had company-wide programs related to improving access to water and environmental education, especially in rural factories. One model eco-factory has a new community-oriented farming program called *Ran Aswanu* (Golden Crops). The company trained local farmers in organic fertilizer methods and purchased food from them. As the

### Table 8: Some Common Elements of the Model Eco-Factories

<table>
<thead>
<tr>
<th></th>
<th>Plant A</th>
<th>Plant B</th>
<th>Plant C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green Building Design</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>LEED Certification</strong></td>
<td>Platinum</td>
<td>Gold</td>
<td>Platinum</td>
</tr>
<tr>
<td><strong>Solar Panels</strong></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Energy Efficient Cooling Systems</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Natural Lighting</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Green Power Purchasing Agreement</strong></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Rainwater Catchments</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Water Recycling</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Zero Waste to Landfill</strong></td>
<td>X</td>
<td>X</td>
<td>Goal</td>
</tr>
</tbody>
</table>

*a*Leadership in Energy and Environmental Design (LEED) is a certification standard set by the United States Green Building Council.*


factory manager said, “Right now, we have twenty-four farmers involved with us, so our people have fresh vegetables.” In doing this, the factory improved rapport with the local community because they were creating jobs, engaging with the community, and providing healthier food to the workers. This helped in their recruitment and retention efforts in a competitive labour market.

With these efforts to gain early-mover advantages, develop in-house environmental expertise, and align environmental upgrading with other upgrading initiatives, the Sri Lankan suppliers were dovetailing strategies to favorably differentiate themselves. Thus, it was not just the national and sector-wide context that made environmental upgrading favorable, but also it fit in very well with their existing firm-based competitiveness strategies. In that sense, the business case for these suppliers was built around differentiation and early-mover advantage, which is consistent with the business case literature (Orsato, 2006; Porter and Kramer, 2006).

5.3.5 How did the model eco-factories deliver value, and for whom?

On several levels, M&S and the three suppliers have portrayed the model eco-factories in Sri Lanka as a great success. M&S staff said that Plan A has become a brand name that has exceeded their expectations in terms of reaching consumers. After such positive results, M&S expanded Plan A in 2010 to include 180 commitments (Grayson, 2011). M&S has also won numerous international awards for sustainability and CSR, including (among others) the European Commission’s European Business Award for the Environment in 2012, the Queen’s Award for Enterprise in Sustainable Development in 2012, and the Green Business Awards for Green Business of the Year and Carbon Neutral Ambition in 2010.
The model eco-factories provided M&S with a detailed prototype that its staff now use to get the rest of their supply chain to upgrade, which helps them progress toward their long-term Plan A goals. In 2011, M&S staff targeted their top 100 clothing suppliers (by revenue) to adopt Plan A. They also held regional supplier conferences to share practices and explain the business case logic behind Plan A, and set up an online portal for suppliers to exchange information. The UK-based Ethical Trading Initiative subsequently recognized M&S for these efforts in a best practice case study on “Getting Supplier Buy-In,” because it was more comprehensive and focused on capacity building than what other buyers were doing (ETI, 2012). M&S staff said they would apply more pressure on suppliers who have not yet upgraded once it becomes more common; but as of spring of 2011, they were not providing incentives or levying disincentives to promote Plan A upgrading.

The three suppliers reported dramatic environmental impacts, which are summarized in Table 9. These results have helped the companies mitigate the effects of rapidly rising and unpredictable energy costs. Based on observations and conversations at other plants, the environmental upgrades that suppliers are implementing more widely tend to focus on energy conservation and upcycling. This suggests that these elements have been more successful for getting supplier buy-in.

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47 They said they have greater than 300 clothing suppliers, but the top 100 produce 70 percent of their product. Sri Lanka is their second largest sourcing country for clothing after China.

48 Interpret these results with some caution because environmental impacts at the assembly stage of production are low relative to other stages.
Table 9: Change in Environmental Impacts Reported By Suppliers

<table>
<thead>
<tr>
<th></th>
<th>Energy Usage</th>
<th>Water Usage</th>
<th>Carbon Footprint</th>
<th>Waste to Landfill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant A</td>
<td>-46%</td>
<td>-63%</td>
<td>-60%</td>
<td>0</td>
</tr>
<tr>
<td>Plant B</td>
<td>-48%</td>
<td>-60%</td>
<td>-48%</td>
<td>0</td>
</tr>
<tr>
<td>Plant C</td>
<td>-40%</td>
<td>-50%</td>
<td>-40%</td>
<td>a</td>
</tr>
</tbody>
</table>

Note: The baseline against which change was calculated is likely to be different across factories.

a This is a target, but Plant C has not achieved it yet.

Source: Respective companies, 2011.

M&S staff were satisfied with these reports and said that the suppliers benefited from the model eco-factories in several respects:

I’m really proud of what’s been achieved, and it’s given Sri Lanka an image, which is widely consistent with being pioneering in this respect. I mean, when I went to the design festival in November, I was just amazed at how much it had become so much part of their daily thought process, because it wasn’t that way in 2007…. It was an excellent project, and probably still, with the economic environment that we’re in, it stands up as a benchmark, and will do for a long time (Interview. London, United Kingdom, April 5, 2011).

This informant suggests that the most significant contributions of the model eco-factories were how they established the parameters for what eco-friendly apparel manufacturing means and raised the level of environmental consciousness in the sector overall. M&S informants were also very impressed with the caliber of environmental expertise that the suppliers hired internally. One M&S informant even said that having those individuals on staff was, in their mind, one of Sri Lanka’s greatest competitive advantages. Therefore, there appear to be several ways in which the model eco-factories have generated some forms of competitive advantage for both M&S and the suppliers that built them.
On the other hand, moving beyond the model eco-factories to examine the potential for environmental upgrading in Sri Lanka’s apparel sector more broadly highlighted some challenges. First, if future environmental upgrading is narrowly focused on elements that have the most measurable business case, such as energy savings, then that raises some important questions about what gets left out (Blowfield, 2005). There is potential for business case approaches to champion environmental responsibility based on getting supplier buy-in only for a narrow set of changes, while neglecting other relevant environmental problems (e.g., water crises).

Second, one of the biggest challenges in environmental upgrading is to engage upstream suppliers, not only because of the limited connection between buyers and extended upstream suppliers; but also because there is a lack of product-level specifications for green manufacturing. Although the Sri Lankan suppliers can purchase through programs such as the Better Cotton Initiative and the Global Organic Textile Standard, they don’t do so as a matter of routine and only do it if the buyer specifies it. This suggests that there are structural dynamics built into global apparel value chains that inhibit the extension of eco-manufacturing throughout the entire supply chain.

Third, because environmentally friendly manufacturing has already been pioneered, returns from it are likely to erode, a common critique of upgrading as a competitiveness strategy (Schrank, 2004; Tokatli, 2012; Werner, 2012). Already, with the three Sri Lankan suppliers able to claim early-mover advantage, those that come after them will have a more challenging time justifying it in terms of the reputational and

49 Wal-Mart and other companies are trying to address this through the Sustainability Consortium.
positional value. Without mechanisms for guaranteeing the investment will be recouped in some other way, many suppliers are likely to see this as a risky investment.

Finally, there were heated debates in Sri Lanka about the green trend. Two to three years after the model eco-factories first opened, there was an almost universal sentiment among apparel managers that greening was important for society and the eco-system, but there was little buy-in for the idea that there is a business rationale for it for suppliers.

5.4 Complexities of making a business case: who pays and who captures gains?

From the perspective of M&S, the business case of environmental upgrading may seem rational and intuitive, at least for the cost-saving/efficiency forms of environmental upgrading. The logic is that a business owner can make an investment that lowers the operating cost and eventually it pays for itself. Buyers and some ethical trade organizations use this logic. For example, when asked how hard it was to get supplier buy-in, one M&S informant replied:

I mean, if energy costs remain as unpredictable and keep going as high as they are today, any sane factory manager would be doing this anyway—whether or not they had a sustainability program. So, I think we’re going to have less problems moving forward.

Thus, the assertion is that green investments are common sense. An informant from the Natural Resources Defense Council, an international environmental NGO, phrased it similarly, emphasizing that it is a matter of changing suppliers’ mindsets (a language also used by M&S representatives):

There is an entrenched view among manufacturers that environmental measures are just costs and hindrances on their factory. It does not reflect the reality that it saves them money and makes them more efficient. They’re more likely to deliver on time if they have efficient processes. … So, this is also an education problem.
They don’t understand. Once you get people to do it, you know, there are no zealots like the convert (Telephone interview. March 6, 2012).

In this account, the problem is framed as outdated thinking on the part of suppliers and the solution is to change the calculus that they use to calculate returns on investment so that they account for “hidden costs” such as energy inefficiency in the long run. Additionally, buyers argue that because consumers are unwilling to pay for green products, they emphasize the cost-saving logic over the differentiation (eco-branding) logic. However, consumer willingness to pay for green products is debated in the academic literature (Casadesus-Masanell et al., 2009; Hughes, 2012; and Lai, et al., 2010).

Meanwhile, the eco-factory suppliers expressed the value that they got out of environmental upgrading in terms of differentiation. They described what sets them apart from other suppliers by using phrases such as, “it is in our DNA,” and saying that they did it because it is the “right thing to do.” They did not stress cost-saving advantages or claim that they had gotten a return on investment, although they said that they expected to within a few years.50

As I connected with a wider group of industry representatives and associations in Sri Lanka, there were much higher levels of skepticism of the green initiatives. They felt that suppliers are bearing a large share of the cost burden of implementing new environmental practices, while consumers and buyers are not willing to pay more (and want to pay less).

50 Note: these suppliers are hesitant to criticize the greening effort, because their reputation and buyer relationships are at stake.
To be frank with you,… the marketing is nothing about [being ethical]; it’s about the [unit price], right? No one is willing to give priority for the green plant…. If Bangladesh cuts 10 percent, everybody’s orders go to Bangladesh. So that is what we asked from the brands. “Give some priorities to these factories,” right? …What’s the benefit that they get other than another pain in the ass? There’s no point. So, it’s not an encouragement to other factories to do green. If you’re going to do community service for the society, for the world, it’s a different story. But we are in business, right? So, in the business world, it’s a give-and-take policy (Interview. Colombo, Sri Lanka, September 2, 2011).

This sentiment that buyers are unwilling to reward suppliers for compliance suggests that many suppliers do not see a business case for environmental upgrading. Similar assertions by suppliers have been made elsewhere in Sri Lanka (Ruwanpura and Wrigley, 2011) and among M&S suppliers in Turkey (Tokatli, et al., 2008). Suppliers feel the buyers are demanding more from the supplier, so they should be willing to pay for it and the fact that they aren’t means that there are not market signals for environmental upgrading. In the context of several years of decreasing unit values, rising fuel costs, rising risk and instability since the global recession in 2008, and increasing quality and compliance requirements for entry into clothing export markets, it is easy to understand this reluctance. Therefore, without the early mover advantages and comparatively strong market positions that the eco-factory firms had, the rest of the suppliers are wary.

In Sri Lanka and elsewhere, according to international NGOs, the reluctance also stems from anxiety over what buyers will do after suppliers make the investments. For example, an informant from the Natural Resources Defense Council, who was working with upstream suppliers on environmental upgrading, said:

[Suppliers] say, “let’s say we do these things and then we save money, all the buyers are going to do is come back and ask us for a lower price.” And that’s true! Buyers—their view is that it doesn’t matter to them. It should be in the interest of supplier to offer a lower price, so they should be willing to offer their buyers a lower price and then get more business from the buyer because they get a lower price (Telephone interview. March 6, 2012).
Given that it is rare for a buyer to guarantee that they will continue ordering for long enough to recoup the investment or that they won’t push down the price and erode the margin, these fears seem justified. Although this informant said that some buyers are offering longer commitments or other incentives, most are not. Given the broader context of buyers increasing price pressure on suppliers during the global recession and the market power of buyers, suppliers were reluctant to invest in environmental upgrading because they suspected it was another instance of squeezing and added risk rather than added value.

M&S representatives themselves discussed how the business case was not about enabling suppliers to have higher margins or guaranteeing access so that they could do more for Plan A:

Those that are wise enough, like the companies you saw [the Sri Lankan model eco-factories] can see there’ll be financial benefits for them longer-term. And also, they know that they’re going to be competing with factories that are not doing this. And they can’t put their prices up and expect to get the business. So, the reality is that they’re having to absorb the initial investment on the basis that they get the payback as the time goes on and they have reduced energy bills. So, that’s the way it’s working (Interview. London, United Kingdom, April 6, 2011).

Thus, the choice that suppliers are presented with above is between (a), keeping their prices level and recouping the investment faster, potentially losing orders; and (b), lowering their price, capturing a smaller margin, and decreasing returns on investment in the hopes of getting increased orders. Basically, this informant is suggesting that environmental upgrading is one tool that suppliers can use to offer a more competitive price in the long-run; assuming that their costs are just slightly higher than other countries and that they are able to make the investment in higher upfront costs. Under this logic, producers in countries like the US or UK would not be able to formulate a business case for environmental upgrading because they are not price competitive enough in other
respects such as wages. Therefore, M&S staff presents a scenario in which countries that are right on the borderline of being cost-competitive, including Sri Lanka, could potentially formulate a business case for environmental upgrading to get an extra boost. Even if this is true, the return on investment is still highly uncertain because of other variables and the long time-frame needed to recoup investments. It seems that what is at stake here is whether suppliers are able to have that Schumpeterian period of temporary monopoly to recoup and capture surplus from their initial investments (Kaplinsky, 1998; Schrank, 2004; Tokatli, et al. 2008).

Indeed, it has been difficult to convince the leadership in some Sri Lankan companies (not those that built model eco-factories) to buy into greening strategies:

[We] had an idea, but no one was able to convince [the Chairman] to, you know, go for the green…. And that is sad because we have built up two factories and we could have easily gone down for that green factory concept…. That [green] concept needs to convince my boss, and that didn’t happen (Interview. Colombo, Sri Lanka, September 2, 2011).

Another owner said that the return on the investment for going green was not as reliable or as fast as other investments that one could make, meaning there is a high opportunity cost. Even an eco-factory informant reported negotiating with M&S for a price premium:

I said [to M&S], “You don’t need to give a lot. You just need to pay a nominal amount to send a strong signal to people that there is money in this.” For business-to-business sourcing, M&S gets indirect value from Plan A… but where is the value for the suppliers? I said, “just give a nominal amount, you’ll see that everybody is going to convert themselves,” (Interview. Colombo, Sri Lanka, September 28, 2011).

Sri Lankan industry representatives also said that not giving a price premium amounts to discriminating against suppliers that didn’t have capital for the upfront investment, and M&S participants acknowledged that this was a problem. To address this, M&S staff said that they were trying to see if they could offer a premium in the next two years. So far, it
is unclear whether M&S will ask for a lower price on the basis of environmental savings or not. These types of buyer decisions will ultimately shape whether a business case for environmental upgrading is viable for small and medium sized firms.

Overall, whilst buyers and many ethical trade firms and NGOs claim that there is a clear incentive for producers to reduce their costs, in practice it is difficult to get suppliers to buy into that. How strong the business case is from a supplier perspective depends on a variety of factors such as costs elsewhere, how strong a reputation they can build, and the opportunity cost of other investment options. Even some suppliers engaged in building the eco-factories are disappointed in the returns on investment, and they are pushing for premia or more order commitments from buyers to make up for that.

5.5 Conclusion

M&S and the model eco-factory suppliers in Sri Lanka are at the leading edge of recent CSR trends to go beyond compliance, integrate CSR into core business practices, and emphasize sustainability. Being model factories and having early-mover advantage, these are exceptional cases and therefore are not necessarily an indication of what environmental upgrading will look like on a broad scale. Nevertheless, this case informs the central questions of this dissertation about governance, upgrading, and ethical trade in important ways.

On a conceptual level, as the opening quote shows, the rhetoric of business case CSR has traveled from the halls of Harvard Business School into the distant offices of suppliers. This “successful” translation of eco-friendly, business case CSR models to the Sri Lankan context confirms the continued hegemony of buyers in defining the priorities and shaping the practices of ethical trade; but at the same time, it also shows that this
process of translation involves moments of friction and struggle. Given the market position of suppliers, formulating a business case for them is qualitatively different from doing so for buyers. Even with an exceptionally high level of buy-in for ethical trade in Sri Lanka, a highly engaged buyer, and an especially supportive national environment, formulating a business case for environmental upgrading for suppliers has been a complex and contentious process. The discursive differences in how M&S and the suppliers framed the value of environmental upgrading (in terms of long run cost-savings and differentiation, respectively) is one of the ways in which the business cases don’t clearly align. Therefore, it may be harder than buyers expect to organize consent from additional suppliers to adopt environmental upgrading strategies and scale up these initiatives. This matters because there is a tension between having a differentiation logic as the driving force behind industrial environmental upgrading and the need to move beyond specialized niches of environmental compliance in order to significantly reduce environmental impacts generally. In short, environmental problems require much more than a small set of eco-friendly factories to have a substantial impact.

In terms of how buyer-supplier power dynamics shaped practices of ethical trade, here the picture starts to get more complicated. First, there are the actual mechanisms that buyers and suppliers used to set up the eco-factories. In the absence of direct market signals (price premia or more orders) and long-term contracting arrangements, according to suppliers, they absorbed over 90 percent of the cost of initial investments in environmental upgrading and three years later had not recuperated those investments. Even though M&S Plan A uses a business case approach and has demonstrated financial gains for M&S itself, the formulation of a business case for suppliers in practice hinges
on a number of factors that are out of a supplier’s control such as whether the buyer offers a price premium, how much energy prices fluctuate, and the costs, speeds, and quality offered by competitors elsewhere. This means environmental upgrading is a risky proposition for suppliers, and the strength of the business case for suppliers depends on whether or not there are mechanisms in place for ensuring that suppliers can get a return on their investment. Basically, there is a need for more examination of the specific mechanisms and arrangements through which environmental upgrading does or does not translate into competitive advantages for suppliers. More research is needed to investigate whether or not scaling up environmental upgrading is possible within a business case CSR paradigm.

Second, the environmental upgrading process, in practice, actually required significant investments in human resources and environmental expertise in order to make these new practices feasible and measurable. This means that the actual practices of building and certifying eco-factories involved a lot of supplier-led experimentation and innovation, which would be difficult without having environmental expertise in-house. This raises questions for future research about how the development of management expertise shapes supplier bargaining power vis-à-vis buyers in the long run and whether these initial investments in environmental expertise ultimately translate into new forms of competitiveness and/or barriers to entry.

Although this case seems to confirm the buyer-driven-ness of apparel supply chains in several respects, at the same time, it also contributes to critical debates about whether upgrading can lead to national competitiveness and healthy industry sectors. Specifically, it indicates that it is not only the buyers that drove these efforts but also the
fact that consolidation led to the emergence of a dominant group of well-resourced firms within the national industry sector. In other words, the buyers could partner with these firms in part because of rising uneven development at the national industry sector scale. The debate about “who pays” for environmental upgrading demonstrates that expecting suppliers to absorb the initial investments in environmental upgrading is increases barriers to entry and excludes many smaller and medium sized firms.

As a result, there is a danger that environmental upgrading is becoming another way to squeeze suppliers, with buyers using the lower operating costs from environmental upgrading that suppliers bankrolled to get a lower price and build a green image. In other words, buyers are getting innovation, organizational learning, and an ethical image without having to pay for it. When buyers and consumers get what Hughes (2011) calls value-for-value, are they doing it on the backs of smaller, less well-connected and resourced firms that lose access to higher-end supply chains because they are not in a position to absorb the costs and risks of compliance in the short-run? This question about the effects of environmental upgrading on the structure of domestic industry sectors—and the developmental consequences of that—is another important area for future research.

Overall, using a de-centered theory of governance and multi-sited research with embodied actors in supply chains helps to situate initiatives like the model eco-factories in the broader global, national, and sectoral context. Without understanding these broader dynamics of governance, we would miss the critical factors that made it possible for buyers and suppliers to forge and sustain these partnerships in the first place—such as political clout with the government and the existing competitive strategies in the industry.
sector to become an ethical sourcing destination. In addition, using this de-centered approach to examine environmental upgrading also reveals the contradictions and tensions occurring in the process rather than portraying environmental upgrading as a technological fix that can be easily replicated to get on a guaranteed path to competitiveness. Most of all, it highlights the contradictions involved with upgrading processes, such as the ways in which the development of management expertise may boost one supplier’s bargaining power while simultaneously devaluing that of another. In other words, environmental upgrading seems to be producing of new lines of distinction within the industry sector at the same time that it creates possibilities for more environmentally friendly manufacturing. In the next chapter, I explore a similar dynamic at a different scale: labor-management relations.
CHAPTER SIX:

From disposable to empowered: Re-articulating labor in lean factories

Sitting around a conference room table, three male mid-level managers at Finewear Garments\(^5\) give me a presentation about their factory, which employs 2,900 people in Sri Lanka. The conversation starts out as a heavily scripted, technical description of their transition to lean manufacturing, but gradually, the managers insert anecdotes that convey their enthusiasm. One manager interrupts the presenter to say, “Actually, Finewear Garments is called Finewear University [within the larger company]! So people come and have a look at the practices and they copy things from us.” Indeed, there is a large banner on the shop floor that says, in large print, “FINEWEAR UNIVERSITY: Learning to Achieve Higher Performance”, and underneath it is an oversized training schedule. The managers tell me, with great pride, how they have re-organized production in ways that empower employees to make decisions that previously they would not be involved in.

The managers especially spoke with passion about their efforts to change the negative perception of garment workers in Sri Lankan society and among global buyers (their “customers”). For instance, managers described how they put up banners around town so that their employees would, “Feel powerful when they are walking with their

\(^5\) The name of the plant has been changed for confidentiality. The factory research took place in September, 2011.
families,” and to ensure that, “Even family members know they have been given due respect for their jobs.” They expressed frustration with visitors who, upon seeing the headscarves and hearing the title “machine operator,” think that Sri Lanka has the same “adverse practices as other countries.” “This is not the case,” one of the managers exclaimed, “Because they are… bringing in 54 percent of foreign exchange in Sri Lanka, so we need to recognize that!”

Having male garment factory managers decry the undervaluation of women’s work was striking given that it seems to contradict the feminist literature on the systemic de-valuation of women’s labor in globalized production (Fernandez-Kelly, 1983; Mills, 1999; Ong, 1987; Salzinger, 2003; Wright, 2006). This devaluation, which Wright (2006) calls a “myth of disposability,” is deployed through management discourses and practices that reproduce the “disposable third world woman” as a normalized subject and reaffirm systems of power and hierarchy that enable the production of value. So, if Sri Lankan managers are strategically disrupting (or disarticulating) the disposability myth as they try to upgrade (or “move up”) in global value chains (GVCs), how are they re-articulating labor and reconfiguring industrial relations to produce value?

Upgrading is normally analyzed in the GVC literature as an attempt to improve a firm or nation’s position in international trade networks by, for example, making better products, adopting more efficient production processes, or adding higher skilled functions

52 Although I use the GVC framework in this paper because it is increasingly adopted by mainstream development institutions, it is important to acknowledge that the global production network (GPN) framework offers a more relational understanding of power. Drawing on the GPN framework to re-conceptualize or critique upgrading is a promising area for theoretical development, but this is a larger endeavor that exceeds the scope of this paper. For a summary of debates, see Bair, 2008 and Coe, et al., 2010.
(Gereffi, 1999; Humphey & Schmitz, 2002). In this chapter, I draw on the feminist literature to analyze upgrading by exploring how it also re-subjectifies female workers through the labor process. Specifically, I analyze how mid-level managers in Sri Lanka deploy legitimating ideologies to re-articulate worker subjectivities and workplace culture in an effort to address a labor shortage and to upgrade to lean production models.

As Chapter Three covered in more detail, Sri Lankan apparel firms have pursued an extensive set of competitiveness strategies since 2002 with the aim of transforming into a full-package, knowledge-based, ethical sourcing destination (JAAF, 2002; Ruwanpura and Wrigley, 2011; Wijayasiri and Dissanayake, 2009).

This chapter demonstrates that the production of value\textsuperscript{53} in global circuits of production hinges on these everyday moments of instability and dis/articulation. Drawing on Wright’s (2006) research on disposability discourses, I argue that value is not only produced through inter-firm or firm-state relations, but also determined by the labor process as it is shaped by legacies of colonialism, persisting hierarchies, and the everyday reproduction of social difference. This research suggests that upgrading cannot be reduced to an economic logic of value generation and capture in the form of disembodied technical or functional interventions. Instead upgrading should be rethought as a complex process of disarticulation and re-articulation that occurs through an embodied labor and management process. This matters because upgrading is often deployed as a generalizable technical fix for promoting global competitiveness and development, without adequate attention to the nuances and contradictions of actually existing

\textsuperscript{53} Value, in this context, means the financial returns from upgrading, which include profit margins, but also higher market shares and purchase order quantities.
upgrading processes and their effects on people and places (Schrank, 2004; Pickles et al., 2006; Tokatli, 2012; Werner, 2012).

The chapter is organized around three key moments of instability in the labor process that occurred in the Sri Lankan garment sector. The first two sections provide the theoretical framework for the chapter, situating it in the dis/articulations perspective and exploring the potential contributions of the feminist industrial ethnography literature. Section 6.3 analyzes women’s empowerment programs as a key moment of disarticulating disposability and re-articulating an empowered, valuable worker. Then, Section 6.4 focuses on a second moment: the shift to lean manufacturing in three factories and managers’ efforts to reconfigure industrial relations and workplace culture to make this transition to lean. Section 6.5 analyzes a third key moment that shows how the managers’ attempts to disrupt and restructure hierarchies were, themselves, disrupted and contested.

This chapter draws on ethnographic fieldwork with sixty-five mid-level managers, who I refer to herein as “managers,” meaning they are not the owners or top executives, but the people on the shop floor or in the corporate headquarters who transform management ideas into practice. Managers are conceptualized herein as embodied subjects, a perspective that tends to be overlooked in the GVC literature but that is well developed in the feminist ethnographies of global production (Ong, 1987; Salzinger, 2003; Wright, 2006). By studying managers across several firms, it also addresses a lack of meso-level studies of the apparel industry in Sri Lanka (an exception is Ruwanpura & ...)

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54 In smaller firms, I consider owners in this category given that they are heavily engaged in day-to-day operations as well. All interviews with managers were conducted in English.
Wrigley, 2011), while building on extended ethnographic research conducted in individual factory sites in Sri Lanka (Hewamanne, 2008; Lynch, 2007).

Focusing on managers allows an analysis of how they navigate a variety of constraints and translate ideas of “good” management into practice in embodied and contradictory ways. In that sense, this is an “ethnography of circulations” rather than an “ethnography of locations,” meaning the focus is on how worlds are created by policy ideas on-the-move (Appadurai, 2001; Peck & Theodore, 2010; Roy, 2012). Lean manufacturing is a flexible, just-in-time production method that has increasingly become a normative philosophy of “good” manufacturing, and this chapter draws out how it is variegated and mobile in practice. The dis/articulations perspective provides an opening to use the analytical tools of feminist geography, cultural studies, and economic anthropology to critically engage with the concepts of upgrading as a management practice and value creation opportunity.

6.1 Upgrading as a process of everyday dis/articulations

The dis/articulations perspective initially came out of a critique of the GVC literatures (Bair & Werner, 2011). These authors argued that the GVC literature downplays moments of exclusion and displacement from global chains, which they call an “inclusionary bias.” However, they are not just calling for more commodity chain studies of excluded people and places, but instead trying to emphasize how disarticulation and re-articulation are ongoing, everyday processes (Bair & Werner, 2011: 992):

[What] is needed… is closer analytical attention to the relationship between inclusion and exclusion as ongoing processes that are constitutive of commodity chains. Thus, we call for a deeper engagement with the processes that engender
the forging and breaking of links between circuits of commodity production, people, and places.”

Thus, they emphasize the dialectical processes of inclusion and exclusion (articulation and disarticulation) as constitutive of GVCs and the need for more research on how everyday struggles over value rework and reproduce the uneven geographies of capitalism. This chapter aims to do this by getting inside the labor process to deeply engage with how moments of disarticulation and re-articulation produce social worlds, including the economy and value, in ways that follow new logics and present possibilities for disruption.

The dialectical aspect of dis/articulation was central to Stuart Hall’s (1980) understanding of articulation, which the dis/articulations perspective is based on (Bair & Werner, 2011). Stuart Hall uses the concept of “articulation” to explore how capitalist and non-capitalist modes of production are theoretically connected and mutually constituted in an ongoing fashion. Drawing on Althusser and Gramsci, he argues that the mode of political domination and content of legitimating ideologies assume racial, ethnic, and cultural forms (Hall, 1980: 322). This way of thinking about dis- and re-articulation also has origins in the political economies of development literature, specifically Rey (1973), who asserted that once capitalism has taken root, it tends to enlarge at the expense of pre-capitalist relations (as cited in Bradby, 1980 and Wolpe, 1980). Hall stresses that the relationship between the cultural and the economic realms of production is not a necessary relation—meaning the relationship cannot be assumed a-priori. This means that Hall’s notion of articulation is one that aims to strike a balance between overly structural and overly particularistic theorizations of power, which enables us to think about the disposability logic as one of many possible modes of articulation between
global capitalism and social worlds. This research contributes to the emerging
dis/articulations perspective in the GVC/GPN literature by emphasizing how legitimating
ideologies forge the ongoing production of value through the labor process at a time
when supply chains are becoming increasingly organized around “lean” logics. I analyze
three moments of rupture and re-combination to examine how value is produced through
the disarticulation of the disposable worker, the re-articulation of an empowered team
member, and moments in which these articulations were disrupted or constrained. This
understanding of the labor process as involving an ongoing process of dis/re-articulation
contrasts with the GVC literature’s analytical emphasis on articulating better: providing
strategies for insertion into and “moving up” global chains.

It is important to situate everyday articulation processes in the broader context in
Sri Lanka. Specifically, recall from Chapter Three that industry leaders in Sri Lanka were
explicitly embracing upgrading as a sector-wide, national development strategy. In an
effort to stay competitive after MFA phase-out, JAAF launched an aggressive, well-
organized action plan for the country to become a knowledge-intensive, ethical, and full-
service apparel-manufacturing hub (JAAF, 2002; Wijayasiri and Dissanayake, 2009).
Human resources management was one of the cross-cutting aspects of the strategic plan,
which included sector-wide and state-led investments in management training institutions
and curricula at universities, efficiency and productivity enhancement programs, and
labor recruitment and turnover reduction strategies (Wijayasiri and Dissanayake, 2009).
Therefore, this was a comprehensive effort to elevate the development of human
resources expertise, which contradicts the established research on the global apparel
sector, described in the next section.
6.2 Logics of disposability in globalized production

As described in the introduction, feminist ethnographies of labor in global production highlight the variegated ways in which capital uses gendered ideologies to incorporate workers into the labor process, discursively emphasizing the “cheapness” of women’s labor, their subordination as “daughters,” their roles as wives and mothers, their potential to become feminized consumers, and/or their sexualized bodies (Mills, 2003; Bair, 2010). The feminist literature informs debates about dis/articulation in globalized production in many ways, especially by emphasizing subjectivity as a mechanism for interpellating particular forms and bodies of labor into global commodity production. Subjectivity, in this literature, refers to how capital uses ideologies of social difference to recruit and discipline workers. Management and executive discourses about work and workers are key, because they are tools of interpellation that continually reproduce capitalist subjects and configure systems of power—albeit in ways that are incomplete, contradictory, and possible to disrupt (Ong, 1987; Salzinger, 2003; Schoenberger, 1997; Wright, 2006).

Drawing on Judith Butler (1997), Melissa Wright (2006: 5) considers the “myth of the disposable third world woman” as a tool of interpellation because, “…it establishes the expectations both for identifying disposable third world women within specific populations and for determining how those subjects, so identified, should behave in relation to those who do the identifying.” Interpellation, disruption, and re-articulation is conceptualized as an ongoing process that is never complete. Because of its focus on how gendered practices and subjects are constitutive of globalized production, this scholarship is key for the further conceptual and theoretical development of the dis/articulations.
perspective. This is why management discourses about work and worker subjectivity are at the center of the analysis in this chapter.

At the same time, because of its ethnographic emphasis on being grounded in particular factory settings, the feminist industrial ethnographies so far do not thoroughly incorporate hierarchical dynamics of power that operate through firm networks, which is what the GVC approach has focused much of its analysis on (Gereffi, 1994; Gereffi et al., 2005). Apparel chains are buyer-driven—meaning that large multi-national buyers and retailers such as Wal-Mart or Nike have a high degree of market power and influence over suppliers down the chain (Gereffi & Memedovic, 2003). Melissa Wright’s (2006) study of the deployment of the disposable third world woman subjectivity in Mexican maquiladoras was one of the few studies in the feminist literature to start bringing these global dynamics into the analysis (Bair, 2010). Wright calls the disposable third world woman subjectivity “endemic” to the organization of globalized production, a global logic that is expressed through locally specific tropes (Wright, 2006: 10-11).

I extend this work by putting it in conversation with GVC analysis of buyer-driven governance structures. In doings so, one of the contributions of this chapter—and the dis/articulations perspective more generally—is to demonstrate the ways in which the global/local and the economic/social are mutually constitutive, rather than separating the analysis of economic globalization into one strand of literature that is global and economic and another that is local and cultural (Nagar, et al, 2002). Thinking about globalized production in this way requires an attentiveness to how value is not only produced through firm-firm or firm-state relations, but also through the labor process.
Upgrading is an embodied process, and as such it involves a re-articulation of the social formation that is not driven exclusively by economic or state-led regulatory logics.\(^5\)

As discussed in Chapter Four in more depth, one of the important moments of rupture and reconfiguration in the upgrading process in Sri Lanka has been a targeted effort to change the negative perception of garment work in Sri Lankan society. The apparel industry faced a labor shortage because of the negative image of the apparel industry. Recall that the expressions of ethical concern about the apparel industry were not about poor working conditions, per se, but instead stemmed from the way in which female garment workers became icons for the threat of moral degradation from Western incursion. Media coverage of unsanitary living conditions, prostitution, and pre-marital sex in boarding houses near the export zones sparked anxieties in Sri Lankan society about the loss of “traditional” values and roles for women (Hewamanne, 2008; Lynch, 2007). These portrayals of female garment workers helped to legitimate the incorporation of young women into export-oriented production in low paying, “unskilled” positions despite the relatively high levels of education. Therefore, in Sri Lanka, disposability discourses manifested primarily through the stigmatization of garment workers as a threat to Sri Lankan morality and national identity (Hewamanne, 2008; Lynch, 2007).

It is important to situate the initiatives to re-articulate worker subjectivities as valuable and respectable (referred to as “women’s empowerment programs”) in this context. These programs were not only implemented in factories that were adopting lean production. They were a more widespread phenomenon that was contemporaneous with

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\(^5\) The GPN framework theorizes de-centered power relations (Coe, et al, 2008); however, none of the commodity chain frameworks have adequately incorporated the social embodiment of production.
industry-wide efforts to upgrade and largely precipitated by a labor shortage. As part of the 200 Garment Factories Programme (GFP), the state incentivized garment factories to locate factories in rural villages of Sri Lanka. These factors led garment companies to set up programs to demonstrate they were “giving back” to local communities, enabled garment workers to live at home, and revitalized villages. Basically, employers came to see their local image as a problem that they needed to fix.

### 6.3 Moment 1: Disarticulating disposability by advancing women

When a global buyer, Gap Inc., expressed interest in funding women’s empowerment programs to improve its own ethical reputation in the mid-2000s, Sri Lankan suppliers were well positioned to partner with Gap to create them because they could meet two goals at the same time: enhancing buyer partnerships and securing a workforce. In at least three very large firms in Sri Lanka, there are specific programs designed to “empower” female workers. These programs include workshops and “modules” for workers on topics such as work/life balance, sexual and reproductive health, how to dress professionally, and how to manage finances.

When questioned about why his company was focusing on this, one manager explained that they wanted to change the stigma, especially in the rural factories:

On a girl going down the road, the people used to call, “garment girl,” “Juki girl,” right? It's a “garment piece,” or “Juki piece.” That image, we thought, that first off, we had to break that image, with Gap. Then, we proposed the subject called, “professional grooming and lifestyle standard” for the apparel sector: how to do makeup, how to talk in public, how to use mobile phones, how to speak with friends in public areas… So those things we educate them [about], so they know what to purchase.

Thus, this “professional woman” discourse was deployed to establish how garment workers should behave. Yet, it was also contradictory, because the dis-articulation of
“Juki girls” through specific program modules and discourses of professional standards was accompanied by a re-articulation of a need for patriarchal control. For example, the assumption is that they cannot be trusted to decide what handbag to purchase without modules.

The manager went on to say, “Our theme is, you know, rather than producing good supervisors, good executives, good production managers, our main theme is to produce the perfect woman for society. Not for [our company], the perfect woman for society….” With prompting, he clarified what he meant by the “perfect woman”:

Groomed, financially conscious, having a dream, having targets, and career progress as well, and sexually and health-wise confident, and a wise woman who can resolve problems, and legally confident through the legal module. So she knows everything, basically. Not like garment industry workers, she's qualified. (emphasis added)

This “perfect woman” helps them recruit, retain, and motivate their workforce. She abides by local norms in some respects because she performs respectability and is dutiful to her family, but she challenges them in others because she is working and “qualified.”

Therefore, as the companies tried to improve their ethical image in Sri Lankan society and among image-conscious buyers, this “professional woman,” a model citizen, was an important figure for keeping the industry and the nation in good moral standing and securing a labor force.

This “professional woman” subjectivity suggests an anti-disposability logic is at work in these upgrading projects in several respects. In contrast to situations of “unlimited supplies of labor” (Wright, 2006), in Sri Lanka, the labor shortage was getting worse as alternative job opportunities expanded after the end of the war in 2009. Thus, employers had decreased bargaining power with lower supplies of the type of labor they desired (female, young, experienced, motivated, model citizen, career oriented).
Similarly, rather than seeking an ideal rate of turnover around 7 percent (Wright, 2006: 28), the Sri Lankan employers wanted to minimize it as much as possible, with an intermediate goal around 4 percent. Their main concern was getting women to stay after marriage and having children, rather than getting them to leave once their value declines. Third, female workers were not seen as un-trainable. Instead, Sri Lanka the managers saw their role as educating or modernizing the young, rural people who work for them. As one manager put it, “A [rural] mindset… [is] really challenging. It’s an overall mindset of a young, of a teenager—or a female or male between the ages of 18 to 25—needs to be guided well. So, you need to have more… that’s where the CSR\textsuperscript{56} comes in.” So, the CSR intervention is justified by women’s lack of development, and in Sri Lanka a paternalistic discourse is deployed to legitimate these modernizing endeavors. In other words, they may not be disposable, but they are third world women who need to be advanced.\textsuperscript{57}

Therefore, these discourses show that forms of subjugation are still occurring—only under a different guise. Exactly who gets included/excluded and how they are interpellated is over-determined, meaning that disposability, per se, is not an inexorable consequence of global capital-labor relations (Bair, 2010). Managers internalize a neo-colonial logic of development that sees women as lacking development in order to maintain discipline in the labor process. This is how the managers are deploying ideologies of social difference in ways that make the ongoing production of value in global chains possible. The next section focuses on the emergence of lean management

\textsuperscript{56} Corporate social responsibility

\textsuperscript{57} Plankey-Videla (2012) observed similar forms of paternalism in lean factories in Mexico.
practices in Sri Lanka, which triggered a second important moment of disarticulation and re-articulation.

6.4 Moment 2: The cultural politics of a lean transformation

The global landscape of apparel trade has become increasingly volatile and more competitive. To survive, Sri Lankan firms have re-examined their work processes to make them as efficient as possible. At least two of the largest and wealthiest firms in Sri Lanka58 (and three plants visited for this study) have devoted substantial resources to adopt lean manufacturing, a reorganization of work processes that aims to “eliminate waste” (Plankey-Videla, 2012). It is important to situate these process upgrading endeavors in the changing global patterns of apparel sourcing that were analyzed in depth in Chapter Two. The dual shocks of quota phase-out in 2005 and the global economic crisis of 2008-2009 led to increasing volatility and risk in global apparel supply chains. In response to this, buyers began using “fast fashion” sourcing principles (pioneered by Zara in the late 1990s) even in non-fashion-sensitive product lines, part of a growing “lean retailing” trend among buyers to maximize efficiency in their supply chains (Abernathy, et al., 1999; Pickles and Smith, 2010; Tokatli, 2008).

Buyers’ sourcing strategies changed as a result. They consolidated their supply bases to include higher capacity suppliers and encouraged them to adopt lean manufacturing methods, undertake productivity enhancement initiatives, take on more of the inventory risk, and implement just-in-time production methods (Staritz, 2011). Part of

58 Three of the nine factories in this study were in more advanced stages of this shift to lean production.
a lean philosophy, just-in-time emphasizes small batch production, demand management, quick changeovers, and efficient inventory management (Womack, et al., 1991; Plankey- Videla, 2012). This has led to dramatic consolidation in national industry sectors, (including Sri Lanka’s), in which large intermediaries and first-tier suppliers began to provide “full service” production capacity to buyers and small, assembly-only suppliers were downsized, bought out by larger firms, downgraded as subcontractors, or closed altogether. The lean reorganization analyzed below is occurring in this context of consolidation.

Even though the lean reorganization is, in large part, a response to changing global dynamics, the actually existing practices of lean transformation occur through (and are shaped by) the power geometries of particular places (Collins, 2003; Plankey-Videla, 2012). In this section, I show how managers primarily saw the transition to lean as a cultural change, much like Plankey-Videla (2012) observed in Mexico. The managers continually emphasized the importance of how it “evolved the people” in the factory and represented a path towards modernization that extricated “Western” influence. By showing how managers articulated these shifts, my aim is to demonstrate how upgrading, in the specific form of lean production, involved an embodied re-articulation of social differences.

Like in many other places throughout the world (Plankey-Videla, 2012; Womack, et al., 1991), the lean restructuring involved the following factory-level changes:

- Reorganizing work into small teams or “modules” rather than assembly lines
- Having workers do multiple operations rather than one task repeatedly
• Training workers in multiple skills and establishing career paths

• Changing the roles of management and workers; workers self-manage

• Performance measurement, problem solving, and kaizen (continuous improvement)

• Shifting to small, customized, just-in-time production batches

Figure 13: Kaizen in a lean apparel factory

A sign recognizing kaizen, or continuous improvement, in one of the teams. Photograph taken by author.

These forms of “flexible” production differ from Fordist, mass production in many respects. Most importantly, flexible suppliers respond more rapidly to changing consumer demands. In short, lean requires a different labor process and a different kind of workforce: “Flexible workers are valued for their brains as well as for their brawn,” (Wright, 2006: 50). This section focuses on two key aspects of these changes as Sri Lankan suppliers adopted lean: (1) organizing consent, or gaining buy-in, and (2) creating a learning-oriented workplace culture.
The managers framed lean as “journey” that is never complete, and they have implemented it gradually to ensure sufficient buy-in. Therefore, the political nature of changing the labor process is explicitly acknowledged and incorporated into the lean training curriculum (Plankey-Videla, 2012). The Sri Lankan managers took several steps to organize consent through the labor process, and these were consistent across all three plants shifting to lean in this study. For example, they replaced the label “worker” with “team member.” At one firm, a general manager interrupted an interview to say, “Actually, we don’t use ‘worker’.… We don’t use that word. We call it ‘samajikaya.’ Samajikaya is a member…” Later, he added, “Our goal is to get people to think of the organization, not just of themselves, to have ownership.” A corporate-level manager at another firm articulated the rejection of the “worker” label as an effort to restructure the hierarchy:

You would have heard that there’s a “team member” in a line, which we used to call a “worker”. Now we have taken off that name. If someone says “worker” to me, I really get annoyed and I will say, “Oh, there are no workers here. There are only team members.” So, that means if a person is a worker, then you should be a non-worker—what’s the definition? …What we are doing with the restructuring is we’re trying to take apart all of this hierarchy, trying to structure it in a proper manner, a standard manner across [the company]. That is one of the biggest challenges we have…. And so what we are trying to do here is we are trying to get even our team members to do problem solving.

Above, the manager wants to situate team members as constitutive of management, not separate from it. For him, the team dynamic was a foundation for building a problem-solving workplace culture that valued everyone’s ideas.

59 Because one supplier’s pilot lean teams were so successful, Nike opened an Apparel Innovation and Training Center in Sri Lanka in 2009. Managers come to Sri Lanka from around the world to take courses in lean manufacturing, and they earn belts similar to those in karate (yellow, green, black, etc.) upon completion.
Another way that the managers organized consent was by re-articulating their own roles as managers. Participants said that “good” managers don’t yell. They have patience, want to hear suggestions, explain things well, train team members to self-manage, and motivate people. This discourse about management contradicted the “professional woman” discourse of the empowerment programs because it focused more on improving managers’ rather than workers’ behaviors. For example, one manager said, “What I believe is operators are really good. There are no bad operators. It’s about management. If you guide them well, they will be good always….” Other managers framed this shift in terms of creating a teacher-learner relationship, portraying labor in positive terms as self-enhancement rather than as self-depreciation.

These attempts to re-articulate the role of management are consistent with how Wright and Plankey-Videla characterized flexible production in some ways, placing more value on the workers’ intellectual contributions. On the other hand, they depart from Wright’s observations in Mexico in other respects, because the female team members in Sri Lanka were not seen as un-trainable. Their relatively high education levels were a source of national pride. The managers said their main challenge was convincing them to see garment work as a career rather than a temporary job. Therefore, the production of value in Sri Lanka’s lean factories hinged on the managers’ abilities to motivate team members, recognize their intellectual contributions, and cultivate a sense of ownership over the production process. This led them to dis-articulate the disposability logic and re-articulate a logic of self-management and empowerment.

Managers saw the creation of a culture of learning and leadership as a cornerstone not only for the shop floor but also for Sri Lankan society. By drawing on locally relevant
master tropes, such as the generosity and connectedness of “Sri Lankan culture,” they empowered themselves and the team members as important agents in securing a better future for the nation. Here, a corporate-level manager conveys this desire to recuperate “Sri Lankan” values:

I mean the part that people miss is the people. That’s the most important thing. Because it’s a different culture, it’s a different DNA that we bring into this organization. I mean, if you look at five-six years back, there were certain concepts and philosophies engrained in this organization—especially things that come from the apparel sector, which has migrated from places like the US, I mean, more than US—UK. I mean, people like Sara Lee and all that bringing in these things. So, they had certain paradigms… and the challenge for us was how we challenge those paradigms.

Stabilizing this anti-colonial/post-colonial identity in this way was common, and it is consistent with Sri Lanka’s historically conflicted relationship with the “West” (Hewamanne, 2008; Lynch, 2007). By invoking “DNA,” the participant naturalizes the distinction, and positions his firm as an emancipatory agent that is freeing Sri Lankans from the previous, more Western regimes of accumulation. In this re-articulation, the company uses lean to formulate a viable modern regime of accumulation that also has “Sri Lankan” characteristics. At the same time, they do so with the contradiction that the idea of lean originated in Japan (Toyota) and has, by now, been adopted in many Western countries as well (Plankey-Videla, 2012). So, this identification of lean production as “Sri Lankan” re-produces difference at the same time that it attempts to re-articulate garment production as valuable and respectable for the nation.

In response to a question about whether the idea of promoting a learning culture was from “outside” or from “Sri Lanka,” one manager said:

[It’s] from the Toyota culture book… It's also a Sri Lankan way of management. We don't have a hire and fire culture. We have a more emotionally engaged, connected culture, right? So, ah, it's how you transcend to that culture, cultural values of reaping the benefits with your investments….
This participant seems to see Toyota, and possibly Japan, as having a culture that is more aligned with Sri Lankan values than the previous models of industrial relations—presumably Fordist models of mass production originating in the U.S. Therefore, again, there is an emphasis on articulating the home-grown characteristics of lean manufacturing and disarticulating “the West” from export-oriented production. These examples of how managers selectively deployed “Sri Lankan” culture to legitimate the dramatic changes to the labor process show how complex it is to forge an upgrading process in practice, and how important the political and the cultural realms are for stabilizing new forms of value appropriation in global value chains. The next section shows how this was not a smooth process for the managers.

6.5 Moment 3: Disruptions to the re-articulations of work and workers

Up to this point, the managers’ efforts to disrupt the disposability logic, dislodge the label “worker” and displace Western cultures of production have been analyzed without much attention to how effective they were at doing this. Despite the zeal many of the managers had for this new culture of work, they encountered several problems. For example, in rural factories, managers reported increased domestic violence and some husbands or fathers forbidding their wives/daughters from returning to work. One manager said that husbands and fathers of workers have told him he is “empowering them too much.” In response, the managers invited families to the factory to “educate” them, gave them access to factory facilities such as an on-site gym, and offered counseling services to workers.

Other managers pointed out that despite all of their investments in training, engaging, and motivating the workers, they were having less success as they had hoped in
getting them to stay after marriage. One manager expressed his frustrations with this:

“After getting married, their husbands, spouses, don’t want to send them…. That is their culture, of course. They really don’t want to send their wives to jobs. That is in our culture, which we need to change as much as possible.” The way he switches from “their” to “our” reveals some of the friction and difficulty he is experiencing as he negotiates various fields of social difference. Managers spent a lot of time and effort trying to navigate the bargaining power that workers had to leave. Although they valued previously existing social norms in many respects, they delicately tried to change them because they were constraining the transformation to lean and, by extension, their global competitiveness. Therefore, their efforts to upgrade were conflicted.

When questioned about why they didn’t recruit more men, given the challenges getting women to stay, a common response was that men did not have the right temperament, were harder to control, and might unionize. Therefore, the displacement of the label “worker,” emphasis on teams, and reorganization of the hierarchy may also be a part of a strategy to reduce the role of workers’ councils or the likelihood of unionization. Along these lines, managers in the lean factories introduced a new position, the “mentor.” Mentors were liaisons between the team members and the team leader (who focused on production goals), to ensure that the workers were getting support if they were sick, etc., and to report problems or tensions to human resources. These mentors, in effect, play an important role in addressing grievances, a function typically carried out by workers’ councils and/or unions.
Meanwhile, managers consistently expressed their opposition to the idea of having unions in their factories.\(^{60}\) They said Sri Lankan unions were too “political,” had ulterior motives, were driven by “outsiders” (international union federations), and would not be present in Sri Lankan factories unless there was a problem with the management.\(^{61}\) For example, an industry association staff person said that the idea of a union is “perfect,” but that in Sri Lanka unions had motivations other than helping the workers. Therefore, changing the job title from “worker” to “team member,” embedding mentors into the production process, and continuing to focus recruitment efforts on women could also be interpreted as a way for managers to consolidate their power and keep collective organizing outside the realm of production.

Another significant contradiction to the claim they were restructuring hierarchies was the limited mobility from the highest levels of shop floor work to the lowest level of management (the production executive), a move that was still extremely rare. This jump is accompanied by a significant pay increase, from approximately 20,000 Rupees per month to 40,000 or more, and the barrier is policed by a number of factors both inside and outside the factory. The most direct form of policing occurs, as one female manager in a factory reported, when male managers threaten a female manager, intimidate her, or undermine her ability to do her job. Other forms of gendered policing occur through the

\(^{60}\) There were no unions in the factories visited for this study. Unions are practically nonexistent in rural factories, but they have a larger presence near the export processing zones. The factories have worker councils, but these are not the same as unions (Ruwanpura, 2012). The landscape of unions and unionization in Sri Lanka is problematic in many respects, but there is insufficient space analyze it in depth here.

\(^{61}\) To them, “bad” managers displayed violent, impatient, or antagonistic behavior or did not treat people with respect.
naturalization of particular job categories as women’s work, and others as men’s work. For example, management level jobs at the factory level were frequently considered too stressful for women; especially women with child care responsibilities. Indeed, because in the rural factories, management teams are typically brought in each week from Colombo by vanpool, this kind of travel was widely considered very hard for a woman with a family to do. Often, because it is harder to earn promotion without taking a position far from Colombo, this seems to counteract their efforts to produce “professional women.”

In addition, class distinctions were policed with preferences for high educational attainments and English fluency. Although there were shop floor workers with college degrees, typically that was not enough for promotion to management. Almost all of the managers in this study were very fluent in English (many had attended an elite, private, English-only secondary school or had lived overseas), possessed prestigious university degrees, or had significant experience in a leadership role, such as the military. Given the mobile nature of management teams in rural factories, the fact that the management team was almost entirely from Colombo and considered more “Westernized” also contributed to a sense that management positions were not normatively appropriate for local people.

I observed rare cases of female managers who had been promoted from the shop floor, but only after decades of work. Some managers (both female and male) expressed concern and frustration over this glass ceiling, while others maintained that gender-based discrimination doesn’t exist in Sri Lanka—or at least it is less of a problem there than elsewhere. Thus, the processes of trying to articulate an empowered, professional woman
fraught with contestation. The power of managers is constrained by lateral and vertical structures of domination and subordination.

Suppliers also expressed anxiety and frustration about the continued downward pressure on prices from global buyers (Ruwanpura and Wrigley, 2011). Managers frequently questioned the ethics of buyers that don’t pay a fair price for the effort it takes. As a result, some managers took a pessimistic stance about the future of apparel manufacturing in Sri Lanka, and the collapse in the number of firms seems to support this. A medium-sized garment company owner said that as surviving garment firms develop “full solutions” capabilities, the actual manufacturing would start to shift overseas where labor was cheaper. Two large firms have recently opened large industrial parks in India, a diversification strategy of outsourcing. Other managers said that their newest upgrading efforts were focused on automation, which could also decrease employment. This potential for future displacement of labor-intensive activities following an intense period of consolidation and upgrading suggests that it is important to couch these articulation processes in the context of long-term industry life cycles.

6.6 Conclusion

This chapter engages with the dis/articulations analytic to explore upgrading as an embodied process occurring in everyday settings, rather than a disembodied technical fix. I have presented management narratives that highlight the importance of contextually relevant legitimating ideologies in shaping the labor process and making ongoing capitalist accumulation possible. For example, suppliers are using discourses of “empowering” or “advancing” women to disarticulate the myth of disposability and re-articulate worker subjects as professional, modern, and respectable. Doing so helps the
garment firms please buyers and overcome a stigma so that they can recruit, retain, and train a more highly skilled and experienced workforce. Likewise, the managers are disarticulating “the West” from export-oriented production and selectively re-articulating “Sri Lankan culture” by emphasizing how lean production aligns better with social norms in Sri Lanka. Portraying “work” as “learning” and “workers” as “team members,” enables managers to get buy-in for pursuing more fast-paced, flexible, and efficient production.

Because these narratives are also rife with contradictions and instabilities, they support my overarching argument for a de-centered theory of governance in GPNs, because it shows how economic logics of upgrading are mutually constituted by cultural and political logics that operate in specific conjunctures. In a related sense, these findings also contribute to debates about value in the GVC literature, suggesting that the emphasis on the production of value through inter-firm and firm-state relations obscures other forms of value creation and appropriation that occur through the ongoing reproduction of the labor process. For example, the labor shortage and the need for producing and retaining an experienced, highly-skilled, problem-solving capable workforce led the managers to advocate in surrounding communities for greater respect for female garment workers and to train workers in skills that gave them greater bargaining power over time. For the feminist literature on globalized production, this research suggests that the logic of disposability is not a necessary relation, but rather that it is produced and reproduced through specific historical and geographical contexts of social difference. To the contrary, this case shows that certain kinds of product value chains and labor market
contexts operate through anti-disposability logics—meaning multiple global logics of interpellating labor in global production circuits co-exist and interact.

Methodologically, this chapter highlights how managers shape and are shaped by social worlds—in the material spaces of the factory and beyond. For example, they were not only trying to articulate the “perfect woman” for the factory, they wanted to shape the imaginaries of a modern future and secure a place for the garment industry in that future. Given the context in which the garment industry has been stigmatized as imbued with morally corrupting Western influence, the managers’ emphasis on the “Sri Lankan” characteristics of lean production can be seen as an attempt to re-signify garment production (and garment workers) as virtuous and valuable for the nation. In this way, analyzing management discourses about worker subjectivity offers an opening for commodity chain studies to more deeply engage with the politics of production—such as how upgrading in practice may have unintended consequences of reproducing difference and uneven development. Fruitful avenues for future research include both “studying up” the value chain to trace how ideas of “good” management circulate and travel and “studying down” the value chain to see how workers and their families negotiate lean manufacturing and empowerment programs.

Finally, by showing how these efforts at disarticulation and re-articulation came up against other cultural and political structures of power, this chapter also illustrates how upgrading is not merely a technological fix that can be objectively applied to achieve global competitiveness, development, or a “better” life. The economic realm of production is always shaped and contested in particular conjunctures that co-produce social worlds. For example, lean production has to be politically and culturally viable—
both inside and outside the factory—to succeed as an accumulation strategy. Therefore, upgrading in GPNs involves the ongoing production and reproduction of social worlds, which is a process that is complex, contentious, and never complete. These instabilities, limitations, and contradictions open up new possibilities for social change and resistance, which sometimes may be found in unexpected places.
CHAPTER SEVEN:
Towards a better understanding of ethico-political encounters in global production networks

The trouble with the rat race is that even if you win, you're still a rat.

Ethics is in origin the art of recommending to others the sacrifices required for cooperation with oneself.
-Bertrand Russell, 1999: 109

In my analysis of ethical initiatives in Sri Lanka, I have analyzed how they fit into the broader trends of lean retailing and yet also respond to local and national concerns about the ethical standing of the garment industry as a symbol of the nation’s future. By focusing on mid-level managers, my aim was to trace the embodied ways in which these interactions and struggles, between the universals and particulars of global apparel production, manifest through the production of new management knowledges, priorities, and legitimating ideologies. For example, I showed how managers deployed rhetoric of national superiority (e.g., “It’s in our DNA”), advancing women and rural people, developing home-grown expertise, and self-rule to legitimate the changes that they sought to make to the labor process. They also used discourses about ethical production and expertise to try to claim increased value added, with limited success in terms of buyers rewarding their efforts with more orders or higher price points.
Through my research that analyzed ethical initiatives from multiple perspectives (buyer-supplier relations, labor-management relations, firm-state relations, etc.), several common themes emerged:

- There is a new logic at work in the global apparel industry, one that emphasizes maximizing efficiency, knowledge-intensive human resources, measurement, risk hedging, and continuous improvement.
- In the process, ethical trade has taken on an iconographic, differentiation-oriented forms, in which buyers engage in symbolic sourcing, and these new priorities interact and conflict with the earlier focus on establishing a standard baseline of ethical rules.
- The rise of this new logic in the apparel sector in Sri Lanka has been accompanied by a concomitant and dramatic industrial restructuring process, including an increase in uneven development and exclusion.
- Ethnographic research in the GPN in the midst of these transformations revealed various nuanced moments of friction, struggle, and contention at multiple scales.
- Many of these struggles were, at their core, over who defines, creates, and captures value and how to reconcile conflicting ethical norms and aspirations.
- Managers deployed legitimating ideologies in order to organize consent for the transformation into a lean, high-capacity supplier.

Based on this, I contend that the literatures on globalization and development—whether the commodity chains literatures or feminist industrial ethnographies—continue
to downplay the interactions and encounters between the local and the global, and especially the nuanced, unstable, and uneven ways in which the making of global connections manifests on-the-ground. The remainder of this concluding chapter addresses the contributions of this research, organized according to the three objectives set-forth in the introduction: rethinking ethical trade, using feminist methods to strengthen connections between the commodity chains literatures and relational economic geography, and drawing on the critical policy studies literature to analyze management knowledges and practices in GVC/GPN governance and upgrading.

7.1 Rethinking ethical trade

In many respects, the Sri Lankan case exemplifies what’s old and what’s new with ethical trade. Therefore, it can inform debates about ethical trade in several respects. First, the “old” systems of compliance are still very much entrenched in the Sri Lankan apparel sector, and the number of compliance schemes, certifications, and audits continues to increase. So, it is not as if the emergence of lean retailing logics in ethical trade is completely replacing the old system, but rather it is supplementing it.

Second, the industry’s attempts to pursue a national ethical branding strategy and to become a world leader in environmental upgrading did not actually pay off for the suppliers in the direct ways that the industry leaders expected. The GWG certification that aimed to bring all suppliers in Sri Lanka up to a baseline standard was particularly challenging to maintain because buyers refused to allow GWG to label the final goods, replace the buyer’s audits with the GWG audits, or respond with more orders to GWG certified factories. Although the sector (especially the largest firms) has continued to build a strong ethical reputation among buyers as a result of its initiatives, managers
found it very frustrating that buyers engaged in what they perceived as the placement of only a token number of orders in Sri Lanka—what I have termed “symbolic sourcing.” Thus, despite the industry sector’s extraordinary efforts to “do the right thing” by pursuing a “high road” ethical sourcing niche, they ultimately realized that what this actually meant was to develop the firm-level capacity to establish buyer-specific partnerships and meet customized demands, rather than raising all Sri Lankan producers up to a minimum baseline compliance level.

Third, the managers increasingly seemed to realize that, even if the global business case was limited for community-based ethical initiatives, the local business case also mattered. By local business case, I mean that the benefits of investing in community-based programs, women’s empowerment programs, and workforce development in terms of reduced labor turnover and increased productivity paid off for the factories. In addition, as at least two of the largest firms have been transforming their production processes into lean manufacturing systems, in which the payoffs for keeping and recruiting skilled/experienced labor (in the context of labor shortage) are even higher. Therefore, this case suggests that there is room for much more research on the connections between locally conceived and implemented ethical initiatives and supplier competitiveness.

Fourth, even though the changing dynamics of the industry have effectively benefited large firms at the expense of SMEs, the ability of the large firms in Sri Lanka to experiment with new approaches to ethical trade—such as the model eco-factories—has generated some interesting challenges to the buyer-driven power dynamics. The eco-factories, for example, involved the development of internal expertise in eco-friendly
apparel production at each of the firms. Basically, the Sri Lankan firms, working in partnership with M&S, have not merely imported environmentally friendly manufacturing methods, but also (in many cases) they created new eco-friendly projects and processes altogether and helped establish a global benchmark for what it means to be more environmentally friendly as an apparel manufacturer. It is too early to determine the extent to which this leads to long-run competitive advantages and bargaining power for Sri Lanka’s suppliers, but this is a very promising area for future research as well.

Each of these findings suggests that what it means to be ethical has changed in many ways, but also stayed the same. What’s new in ethical trade is that there do appear to be some positive effects from the new initiatives and additional opportunities for suppliers with ample resources to take a more active role in those innovations. What’s also new is that ethical compliance, and producing for global buyers in general, is becoming more exclusionary in ways that impose barriers for SME participation in global apparel production networks. Another new aspect of ethical trade is the emphasis on “business case” CSR. This is promising in the sense that that buyers are aligning their purchasing practices more with their CSR priorities (one of the most problematic aspects of the compliance model); but at the same time, it narrows the focus of CSR, adopts a logic of differentiation and competitive ethical programming, and poses the danger of symbolic sourcing. All of these findings suggest that there is room for a great deal of research on the ethical trade rewire, specifically the business case and eco-CSR approaches that are increasingly becoming the focus of ethical trade debates and practices.
What’s old is that buyers continue to wield uneven market power to shift the costs of compliance, ethical innovation, and risk onto suppliers even while they benefit from an enhanced ethical image as a result of efforts that the suppliers largely paid for. Buyers also appear to be holding on to their capacity to control the more profitable segments of the chain; for example, prohibiting Sri Lankan suppliers from being able to label their products as GWG. In addition, compliance systems continue to proliferate and become overwhelming not only for suppliers because of the audit burden, but also for consumers, who are confused about how to interpret the various labeling trends (ethical, organic, fair trade, local, GMO free, etc.). Another, more optimistic, holdover from the old model of compliance is the persistence of inter- and intra-organizational learning among ethical trade actors of various kinds. In Sri Lanka, this took the form of both a sector-wide initiative to improve compliance and human resources skills among all firms in Sri Lanka and also firm-based learning, such as improving human resources management skills, offering more training and career-path opportunities to workers, and learning more environmentally friendly technologies and processes.

Overall, these findings suggest that ethical trade is not a stable, universal category; instead, it is a contentious, ethico-political process that takes shape through the everyday struggles and alliances of global production networks in particular places. Although the global/local flows of ethical expertise appear to provide some opportunities for growth, competitiveness, learning, and social change, they also constrain, subordinate, and exclude particular people, organizations, and practices. At the same time, the moments of friction and disruption that occur through ethical interventions open up new spaces and possibilities for debate, resistance, and emancipatory change. Therefore, the
Sri Lankan case highlights how inadequate it is to think of ethical trade as a binary or to reduce it to a label or frequency of scandals.

7.2 Connecting economic geographies

This section focuses on disciplinary understandings of globalization and governance. I started this research, in part, with the objective of responding to the call for bridging the separation between the literatures about economic globalization and feminist understandings of global processes (Nagar, et al., 2002). In the introduction, I framed this separation slightly differently: to draw connections between the commodity chain literatures (a particular branch of economic globalization literature) and relational economic geography (a broader ‘cultural’ turn in economic geography that includes feminist interventions but also others, such as post-colonial studies). As Nagar, et al. (2002: 262) write, “Instead of seeing the spaces of globalization as consisting only of formal economic and political spheres and being constituted only by abstract flows, we advocate analyses that attend to the relations between and among flows emanating from different places and circuits.” Their argument, paraphrased, is that doing so will help elucidate how globalization is dependent upon multiple processes of marginalization and, at the same time, emergent forms of resistance. Similarly, Massey (1995: 315-316) asserts that the global and local processes are best studied in the specific settings through which they intersect and combine to produce outcomes:

Each process is in itself theoretically analysable… and each in principle could be theorised in terms of its causal powers at a very general level (and remembering that such powers/tendencies are themselves only 'enabling' rather than determinate of any particular outcome), but their intersection, the terms of their intersection, and its results, are contingent. Again this does not mean that the outcomes are totally indeterminate, in the sense that nothing can be anticipated--even in the case of human agency the potential courses of action are frequently restricted
(people are boxed-in, there is only bounded indeterminacy). It simply implies that in principle the outcomes need specific investigation. In other words, the value of thinking about processes of globalization relationally is that it helps elucidate how connections between the global and the local are co-constituted, indeterminate (although they may have enabling tendencies), and also constrained by various structures and axes of articulation. The rest of this section summarizes the findings of my research that are most fruitful for the task of bridging commodity chain analysis and relational economic geography.

The first is a contribution primarily to the GVC/GPN literature, and that is that the methods of feminist ethnography, multi-sited research, and a focus on mid-level managers helped to emphasize how global governance is not so much a governance deficit, but instead a governance surfeit. Fields of power at multiple scales, each with their own internal hierarchies, shape the possibilities and constraints for economic change (in this case upgrading) in the Sri Lankan apparel industry. For example, in Chapter Three I showed how upgrading changed the intra-sectoral power dynamics, because larger firms were able to leverage more capital and management expertise to adapt to a rapidly changing and volatile trading environment more easily than SMEs. So, we see the disarticulation of an estimated 70 percent of firms from export production networks and a stronger re-articulation of the largest firms, which integrated more deeply into strategic partnerships with buyers such as M&S and Nike. Then, in Chapter Four, I described how the state’s rural industrialization program in the mid-1990s and other national and institutional legacies enabled the garment industry to come up with ethical sourcing as one of its strategic competitive advantages. Chapter Five analyzes the uneven power dynamics in buyer-supplier relations, and Chapter Six turns to how managers used
legitimating ideologies to change the labor process and recruit workers in a labor shortage. Taken together, the chapters reveal how uneven fields of power are constantly intersecting and remaking the relations of production, the factory spaces, and the identities of people and places in Sri Lanka.

The second and third findings that are relevant to the objective of connecting these literatures relate to the content of what the struggles, or moments of friction, were about. One of these themes focused on value: how to define it, create it, and capture it. The struggles over value were most pronounced in Chapter Five, between M&S and the model eco-factory participants. Basically, M&S wanted to “change mindsets” of suppliers so that they saw the long-run value of investing in green manufacturing processes in terms of generating cost-savings, rather than calculating return on investment in the short-run. Meanwhile, the suppliers found that the value of the model eco-factories largely came from their ability to differentiate Sri Lanka as a cutting edge destination for eco-friendly apparel manufacturing, rather than the cost-savings. This struggle over defining and capturing value reveals that ethical trade is a political and ideological project with intersecting structures of domination and subordination, which draws attention to how (a) the interests (the “business case”) of buyers and suppliers often do not align, and (b) suppliers are differentially affected by increasing demands from buyers to be ethically compliant and offer competitive prices at the same time.

Another theme that emerged from the moments of friction was the question of modernity, specifically conflicting ethical norms and imaginations of modernity. Even the phrase, “change mindsets” itself reveals a power dynamic by assuming that suppliers’ existing mindsets are underdeveloped, and in need of change. Chapter six describes how
mid-level managers also used developmentalist rhetoric as a legitimating ideology for reconfiguring work processes in garment factories—advancing rural, young women and, by extension, developing the nation. In addition, lean production was positioned as freeing Sri Lankans from Western regimes of accumulation. Therefore, through these everyday moments of disruption and struggle over themes such as value and modernity, it is possible to better understand how the local settings are connected with and incorporated into larger structures of power in ways that are not always predictable from the start.

Each of these first three findings, when combined, make up a fourth contribution to the GVC/GPN literatures, which is to problematize the upgrading hypothesis. If governance is not in absence, but instead in surfeit, then that introduces many more variables into the relationship between firm or sector-level upgrading, global competitiveness, and the enhancement of well-being. At each stage of this hypothesis, economic change may be met with disruption, resistance, or other encounters with axes of power. This is most clearly demonstrated in Chapter Six, as firm-level process upgrading generated unintended effects, such as increased domestic violence and continued problems with labor turnover and recruitment. It is also quite evident in Chapter Five, where the suppliers felt that they were unable to capture sufficient gains from environmental upgrading investments due to the uneven market power of buyers. Basically, power seems to corrupt the process of creating and capturing gains from upgrading. More research is needed to better understand how uneven power dynamics counteract the effects of upgrading from different angles and in different settings.
The fifth contribution of this research to connecting the GVC/GPN literatures and relational economic geography pertains more to the feminist industrial ethnography literature. Specifically, this research highlights how buyer-driven logics (and global economic processes, more generally) are very powerful, even if local actors interpret and respond to these pressures in varied ways. For example, the fast-fashion logics of just-in-time production and intensified inventory coordination are becoming increasingly hegemonic, which means that—at least for export-oriented markets destined for US and EU markets—suppliers are under great pressure to transform how they do business to adapt to these changing sourcing logics. Trying to understand the transformations going on in the Sri Lankan industry sector without understanding how it is connected to these larger processes would lead to a very superficial analysis of globalization and economic change. It would probably also misread these pressures as being purely driven by direct cost, when in fact several factors are at play, including speed, quality, compliance, and demand management.

7.3 Normative management ideas on-the-move

The recent interventions of the critical policy studies literature have begun to cultivate an attentiveness to the origins of policies and “best practices”, how and why they circulate, and how they get translated through on-the-ground practices (Larner and Laurie, 2010; Peck and Theodore, 2010; Roy, 2012). Through the course of this project, it has increasingly become apparent that management ideas in GVCs, like policy, also wield tremendous influence, especially in at the ideological and normative levels as a form of governmentality (Foucault, 1991; Gibbon and Ponte, 2008). I have focused my analysis on management discourses and debates at multiple scales in order to draw out
how these processes of translation and circulation are often contradictory, contentious, and explicitly acknowledged to be political (e.g., in the lean production training manuals). This section summarizes my findings that speak to how ethical initiatives and GVC governance operate in this normative manner and suggests some areas for future research.

The shift to lean production underway in three of the factories where I conducted research is one of the clearest examples of normative governance-in-motion. Chapter Two describes how “lean” logics are becoming more common among buyers as they try to adjust their supply chain management strategies to cope with the contradictions of a more liberalized trading environment; namely, more volatility, risk, and economic crisis. Then, Chapter Six looks more closely at how this overarching lean philosophy is translating into shop floor practices, specifically through the Toyota Model of lean production (Womack, et al., 1991). Thus, this idea of lean, which for so long has been considered inappropriate for the apparel industry due to its labor-intensive characteristics (except in very highly fashion sensitive niches), is starting to traverse into other product chains as well and to become the “good,” or even “best,” way to do supply chain management as a whole. Moreover, within Sri Lanka, managers have re-articulated the idea of lean management as one that also has Sri Lankan characteristics, or at least non-Western characteristics. This matters to them, because it enables them to position the social changes that are occurring without alienating the workforce or local communities, because it aligns export-oriented production more with Sri Lankan values of education, giving back, and connectedness (rather than the oft-cited morally corrupt and individualistic Western forms of production). Meanwhile, however, the managers
encountered some push-back from men who said they were empowering women “too much” and also had trouble overcoming long-standing hierarchies within the factory. Therefore, the circulation and translation of this idea of “good management” into the specific context of Sri Lanka shows how this global process is not a well-oiled machine that can be cut-and-pasted into passive “local” settings, but instead is something that is political all the way through GPNS. An interesting area for further research is to trace the origins of lean ideas in apparel supply chains back “up” the chain more closely to develop a more complete genealogy of lean management ideas. Such research could involve conducting research with the consultants and buyers (in this case Nike) that partnered with the Sri Lankan firms to pilot the lean lines, compare the Sri Lankan lean projects with previous attempts to adopt lean production models elsewhere (Plankey-Videla, 2012), and analyze the lean training sessions and modules.

The chapter about the model eco-factories also highlights some potential changes in the direction of the knowledge flows. For example, because several of the eco-factories hired in-house environmental engineers and scientists (new forms of management expertise), the companies were able to leverage expertise to not only adopt previously existing technologies of “green” manufacturing, but also to create several new processes and projects that basically set the benchmark for environmentally-friendly apparel manufacturing methods globally. When suppliers develop this kind of expertise and are the early movers in a specific area of know-how, this should mean that the supplier will have more bargaining power and will be able to claim a higher price (at least until others catch up). However, it is too soon to know whether this is happening or not.
Thus, another area that is particularly fruitful for future research is to see if this type of supplier “business case” actually manifests for these firms, and under what conditions it multiplies into other forms of innovation that the firms are able to gain from. However, if this does not actually translate into competitive advantages and bargaining power for the early mover suppliers, then that means that the influence of the uneven power dynamics has been understated in Chapter Five. In that case, the prospects for more widespread environmental upgrading and innovation would be even slimmer than I already discussed, because there really wouldn’t be much of a supplier business case in terms of differentiation. In addition, future research could investigate the other argument for environmental upgrading, cost-savings, to see how that translates (or not) into any kind of competitive advantage or increased market access for the firms. Investigating these outcomes would help ascertain why increased supplier knowledge is enabling more value capture for Sri Lankan suppliers (or why not), and knowing this would make important contributions to the understanding of upgrading and its effects (especially in apparel).

A third way in which the critical policy studies literature can contribute to novel ways of thinking about ethical trade and governance in the apparel industry is to help resolve some of the debate over the meaning of value in the GVC/GPN literatures. This resolution is not to say that there would be “a” meaning of value that everyone accepts, but rather to assert that critical policy studies helps us think through how discourses and debates about value (what it means, whose it is to capture, etc.) elucidate power relations and actor positions within the chains and networks. For example, the critical policy studies literature foregrounds how policy ideas move and gain currency through
embodied institutional, national, and local settings, in other words, the conditions of emergence of expertise and how they become powerful to shape and create worlds. Seen in this way, the struggles in Chapter Five, for example, (over whether the value of environmental upgrading should be understood in terms of cost-savings or in terms of differentiation) can be read as a political struggle not just over profits or monetary currency, but also in terms of ideological currency and the power to define which governance rationality, or whose mentality of conducting conduct, dominates. This way of thinking about value—as emergent through struggle and the organization of consent—is productive because it helps explain why thinking about governance through the concept power-geometries at multiple scales matters. In more simple terms, it helps draw attention back to the various axes of power in GVCs/GPNs and how power dynamics weave all the way in and through chains of production in ways that have effects on firms, people, and places.

7.4 Concluding remarks

The story that I have told in this dissertation is one that takes place in a relatively small, island nation—the kind of country in which many predicted the apparel sector would have no chance to compete with the likes of China or its closest neighbor, India. And yet, Sri Lanka’s apparel industry has defied expectations, and appears to have done so without a widespread downgrading of working conditions or environmental impacts. To the contrary, the industry sector has taken several elaborate, resource-intensive steps to build a global reputation as a leading sourcing destination for ethical apparel—pursuing novel approaches to ethical branding, environmentally friendly manufacturing, human resources management, and women’s empowerment programs in the hopes of
turning it into a competitive advantage. In short, industry associations and leading firms in Sri Lanka followed the advice of the GVC/GPN literature to the letter, meaning they attempted to upgrade their way to a “high road” trajectory of global competitiveness and development.

Yet, as I have shown, this is only part of the story. Although exports continue to increase and employment is relatively stable (so far) despite the shocks of quota phase-out and the global economic crisis, the industry sector in Sri Lanka is undergoing a dramatic period of industrial restructuring, both within and across firms. Although industrial consolidation in the apparel industry is now a widespread phenomena (Staritz, 2011), what is remarkable about the transformation in Sri Lanka is the way that this is accompanied by a well-organized sectoral adaptation (upgrade) into a knowledge-based, full service, ethical supplier network, which is still in progress. These suppliers are better able to respond to the fast-fashion sourcing logics that are becoming hegemonic even in non-fashion-sensitive product lines. However, although leading firms in the sector have managed (literally and figuratively) to forge stronger and deeper linkages with global buyers, I also discussed how this engagement, transformation, and reconfiguration has been quite messy—full of moments of friction, disruption, contradiction, and unevenness through multiple scales. As Anna Tsing (2005: 10) asserts,

Friction gives purchase to universals, allowing them to spread as frameworks for the practice of power. But engaged universals are never fully successful in being everywhere the same because of this same friction.

Ultimately, the “success” with upgrading has, on the one hand, not necessarily delivered competitive gains for the supplier firms as much as they hoped (especially the ethical production initiatives). On the other hand, the sectoral landscape is increasingly uneven
and exclusionary. SMEs have been squeezed out of the sector in ways that limit the sector’s potential as a catalyst for development in Sri Lanka.

Overall, this research emphasizes how processes of economic change are embedded in multiple, often competing, regimes of authority and territoriality. Therefore, a re-conceptualization of governance to incorporate power-geometries at multiple scales will help promote more analytically “thick” understandings of globalization as a process that is co-produced through variegated social and economic realms. Moreover, the findings herein suggest there is a need for more critical engagement with the concept of upgrading and how the pathways from upgrading to competitiveness, and from competitiveness to development, take shape in specific places. In other words, these global processes, even if they are quite powerful and bear certain tendencies, are not necessary relations, but rather they are made and embodied. This means that the process of making local-global relations of economic change (often unintentionally) also breeds new possibilities for resistance, empowerment, inter-subjectivity, and consciousness.
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