INTERNATIONAL JOURNAL OF CASE STUDIES IN MANAGEMENT

HEC087
Volume 12
Issue 4
December 2014

Nike versus New Balance: Trade Policy in a World of Global Value Chains

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United States Trade Representative (USTR) Michael Froman closed the door of his new office, walked to his window, and admired the glimmering Washington D.C. skyline. During his illustrious career as a government official, Froman had never wielded such power as he did now: he had just been nominated by President Obama to be the 11th USTR, serving as the president's principal advisor, negotiator, and spokesperson on matters pertaining to international trade and investment. One of his main responsibilities would be to complete negotiations on the Trans-Pacific Partnership (TPP), an Asian-Pacific trading bloc built upon the pre-existing Trans-Pacific Strategic Economic Partnership Agreement between Brunei, Chile, New Zealand, and Singapore. As of 2013, numerous nations had participated in the TPP negotiations, namely the United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam (Exhibit 1).

The TPP was the most promising trade liberalization initiative since the Doha round of world trade talks, which stalled in 2008, and would cover approximately 40% of the world's GDP.[3] The multilateral talks could potentially deliver huge benefits for the U.S. economy, as the TPP would provide American companies with unprecedented market access to key players in the Asia-Pacific, the largest and fastest growing region in the world.[4] Furthermore, it would allow consumers and importers to enjoy wider and cheaper access to the goods and services of TPP countries.

Froman knew that the TPP negotiations would have to be conducted with caution, however; reducing U.S. barriers to trade and investment would put additional pressure on the country's already frail manufacturing sector. Between 1999 and 2012, while the total number of U.S. jobs had increased by 2.3%, U.S. production occupations had fallen by 31.9% (Exhibit 2). Import competition from and offshoring to Asian manufacturing nations such as China and Indonesia – and TPP negotiating partner Vietnam – were widely blamed for the decline of U.S. manufacturing.

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3 "Free Trade Agreements: Opening Up the Pacific," *The Economist*, November 12, 2011 (accessed October 17, 2013).

4 International Bank for Reconstruction and Development / World Bank, *East Asia and Pacific Economic Update – April 2013 – A Fine Balance*, 2013 (accessed October 17, 2013).

The International Journal of Case Studies in Management is published on-line (http://www.hec.ca/en/case_centre/ijcsm/), ISSN 1911-2599.

When negotiating the TPP, it was therefore imperative for Froman to find the right balance between promoting American business interests abroad and protecting American interests at home.

In recent months, industry activists and politicians had focused on the downside risks of the TPP negotiations for the American footwear industry. U.S. footwear manufacturing had contracted by almost a third in the last decade due to increased import competition from China and Vietnam, and tariff reductions on Vietnamese imports would likely accelerate this decline.

Froman was aware that the footwear industry would be a major sticking point in the TPP negotiations. After consulting with various U.S. footwear lobby groups earlier that day, he knew that even among American companies, there was disagreement on the position the U.S. should adopt. The divide was especially wide between two major footwear companies: Nike Inc. and New Balance. On the one hand, New Balance was strongly opposed to the removal of tariffs on shoes from Vietnam, as they believed this would endanger footwear manufacturing activities in the U.S. On the other hand, Nike Inc. was adamant that the tariffs on footwear imports from Vietnam were detrimental to the U.S. economy. According to Nike, tariffs have led to higher footwear prices, which harm U.S. consumers and reduce the competitiveness of U.S. firms. If tariffs were eliminated, U.S. footwear manufacturers would be able to save on production costs and reinvest those savings in modern, high-value-added jobs in America.[1]

When he was sworn in as USTR, Froman had promised to use every tool at his disposal to level the playing field so that Americans could compete and win in the global economy.[2] Yet discussions with representatives from New Balance and Nike had shown him that identifying the best negotiating strategy would be complex and require in-depth analysis of the impact of tariff elimination on the various footwear industry stakeholders. His stance on the TPP footwear dilemma required urgent deliberation, as the president had summoned all of his advisors to a conference call later that evening and expected them to advise him on the position the United States should adopt during the TPP negotiations.

The U.S. footwear industry

Froman had to first consider the U.S. footwear market and industry to determine the impact of the TPP on the domestic economy. The challenges facing the footwear manufacturing industry were similar to those of the U.S. manufacturing sector as a whole. Rising wages and heavy competition from low-cost countries were putting a strain on U.S. shoe factories. In 2012, only 13,290 people were employed in the footwear manufacturing industry, down from 19,440 in 2003. This decrease was due largely to a 41% decline in the number of production workers (Exhibit 3). In comparison, office and administrative support occupations in the footwear industry had dropped by just 25%, and management occupations had almost returned to 2003 levels.

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[1] Eric Martin, "New Balance Wants Its Tariffs. Nike Doesn't," *BloombergBusinessWeek*, May 3, 2012 (accessed October 17, 2013).

[2] Office of the United States Trade Representative, "Statement by United States Trade Representative Michael Froman," 2013: http://www.ustr.gov/about-us/press-office/press-releases/2013/june/amb-froman-statement (accessed October 17, 2013).

The decrease in U.S. footwear manufacturing activities contrasts sharply with the steady growth of the U.S. footwear market. It is the world's largest, valued at $71.7 billion in 2012, accounting for 27.9% of the global footwear market, and projected to continue developing in the short to medium term (Exhibit 4).

The main reason for America's manufacturing decline is growing import competition from low-wage countries. Currently, almost 99% of the footwear sold in the United States is imported from low-cost manufacturing locations, especially in East and Southeast Asia.[1] China alone accounted for 71.9% of U.S. footwear imports in 2012, while TPP negotiating partner Vietnam, a rapidly developing footwear behemoth, accounted for 10.1% of those imports (Exhibit 5). The pace of Vietnam's growth in the footwear market is staggering: exports to the U.S. jumped an astounding 23.8% annually between 1997 and 2012, and that trend is expected to continue over the short term as wages in China continue to rise.

Vietnamese footwear industry

Ever since Vietnam signed the U.S.-Vietnam Bilateral Trade Agreement in 2001 establishing "normal trade relations,"[2] it has been an increasingly important source of footwear products. In just fifteen years, Vietnam grew into America's second largest supplier of footwear imports (Exhibit 5). In 2012, about 13% of its exports to the U.S. were footwear products, making this a strategic industry for Vietnam.[3]

Vietnam has a clear footwear production cost advantage over the U.S. A New Balance spokesperson estimated that producing a pair of shoes in the U.S. costs 25-35% more than in Vietnam,[4] while a Nike representative estimated that it costs around US$20-25 to produce a pair of Nike running shoes in a Vietnamese factory.[5]

Low wages are a key driver of this production cost advantage. Earnings in Vietnam are more than 20 times lower than in the U.S. A study by the Congressional Research Service concluded that wages in Vietnam's footwear and apparel manufacturing sector averaged US$0.51 an hour in 2012.[6] This is significantly lower than in China.[7]

In addition to low wages, low labour and environmental standards help Vietnamese companies keep their production costs down. Vietnam has ratified eighteen conventions with the

[1] Timothy Aeppel, "New Balance Sweats Push to End U.S. Shoe Tariffs," *The Wall Street Journal*, February 27, 2013, (accessed October 17, 2013).

[2] Embassy of the United States, Hanoi, Vietnam, "The U.S.-Vietnam Bilateral Trade Agreement (BTA) – Resources for Understanding," n.d. (accessed October 17, 2013).

[3] United States Census Bureau, "U.S. Imports from Vietnam by 5-digit End-Use Code, 2003 – 2012," 2012 (accessed October 17, 2013).

[4] See Aeppel, *op. cit.*

[5] Jim Landers, "Vietnam Trade Deal Sparks a Running Battle on Shoe Tariffs," *The Dallas Morning News*, December 27, 2012 (accessed October 17, 2013).

[6] Michaela D. Platzer, *U.S. Textile Manufacturing and the Trans-Pacific Partnership Negotiations*, Congressional Research Service, October 5, 2012 (accessed October 17, 2013).

[7] See Aeppel, *op. cit.*

International Labour Organization (ILO).[1] However, labour unions in Vietnam are not independent from the ruling communist party, and workers are not free to create or join unions. Furthermore, official strikes are rendered almost impossible due to government requirements. While collective bargaining exists, it is a relatively new concept and has yet to take root in the country. Finally, child labour, forced labour, and long hours are still a problem in Vietnam as the government struggles to enforce laws prohibiting such working conditions.[2]

Government support of the country's strategic footwear sector also strengthens Vietnamese firms. Vietnam is officially still a communist country, and its footwear sector is dominated by large state-owned enterprises that enjoy large government subsidies and extensive support. For example, Vinatex, the state-owned textile and apparel consortium, is the tenth largest garment producer in the world and currently accounts for 40% of the country's apparel production, 60% of its textile production, and close to 20% of its total apparel and textile exports.[3] According to the National Council of Textile Organizations, Vinatex benefits from eleven different government subsidy programs that include low-cost loans and free land.[4]

A final advantage of Vietnam's footwear industry is its heavy reliance on cheap imported yarn from China. Like Vietnamese footwear, Chinese yarn is predominantly produced by large state-owned enterprises that receive dozens of direct and indirect subsidies from the government. The allegedly unfair practices of Chinese yarn producers has led many countries, including those in the European Union, to impose antidumping tariffs on yarn originating from China.[5]

U.S. trade protectionism

Compared to other industries, the U.S. footwear sector is highly protected by import tariffs. While U.S. import tariffs on consumer goods average about 1.5%, the average tariff on imported footwear is approximately 10%.[6] Moreover, they can run as high as 48% of the "free on board" (FOB) value of imported shoes, that is, the commercial value of the shoes before transportation costs are added to the price (Exhibit 6). These tariff rates substantially affect production costs; for instance, of their US$20-25 overall production costs, current tariffs on athletic shoes add US$3 to US$5 to the cost of midrange running shoes from Vietnam, increasing production costs by as much as 25%.[7]

While the United States has signed numerous free trade agreements (FTA) over the years, it has generally been reluctant to completely eliminate tariffs on footwear and has systematically

[1] International Labour Organization, "International Labour Standards," n.d. (accessed October 17, 2013).

[2] Embassy of the United States, Hanoi, Vietnam, "International Labor Standards – Critical To Successful Economic Development – Workers' Rights and Labor Standards," n.d. (accessed October 17, 2013).

[3] See Platzer, *op. cit.*

[4] National Council of Textile Organizations, "Fact Sheet – Trans-Pacific Partnership Negotiations," 2012 (accessed October 17, 2013).

[5] Jonathan Steams, "China Faces Five-Year EU Tariffs on Automotive Yarn," *Bloomberg*, November 29, 2010 (accessed October 17, 2013).

[6] Erik Siemers, "Blumenauer: Footwear Tariffs Hurt Nike, Drive Up Costs," *Portland Business Journal*, April 20, 2012 (accessed October 17, 2013).

[7] See Aeppel, *op. cit.*

imposed a "yarn forward rule" to these FTAs. This rule of origin requires that the yarn used in shoe manufacturing be produced within the FTA countries to qualify for the reduced duties agreed upon in the trade agreements.[1] This serves to protect the U.S. textile industry, a battered yet significant component of the manufacturing sector. Textiles are a US$53 billion industry that employed almost 240,000 workers in 2011. However, its prominence has declined steadily in recent years, with almost 300,000 fewer people working in the textile industry than in 2001.[2]

New Balance versus Nike Inc.

While Vietnam was pressuring the U.S. to reduce tariffs on imported footwear, interest groups inside the country were also pressuring Froman and the U.S. negotiators. Froman's meetings with various lobby groups revealed that the widest divide was between American footwear companies New Balance and Nike Inc. On the one hand, New Balance argued that reductions in import tariffs would be detrimental to U.S. footwear workers and smaller footwear manufacturing companies. On the other hand, Nike Inc. contended that reducing tariffs on footwear would strengthen U.S. companies, create high-value footwear jobs in the United States, and lower consumer prices. Froman was particularly intrigued by this disagreement: which of the two companies was really defending American economic interests?

New Balance Athletic Shoe, Inc.

New Balance, an American firm headquartered in Boston, Massachusetts, has been a player in the footwear industry for many years.[3] It was founded in 1906 under the name New Balance Arch Support Company by William J. Riley, a British immigrant who had the idea of designing arch supports shaped like a chicken's three-clawed foot to maximize comfort, mostly for policemen and waiters. He later added ancillary products, and, in 1938, designed his first athletic shoe made of lightweight kangaroo leather with crepe soles for the Brown Bag Harriers Running Club in Belmont, MA. The company continued to grow and was bought in 1972 by Jim Davis, an entrepreneur and marathoner who still owns the firm. By 2012, his business acumen had led New Balance to becoming the fourth largest athletic footwear and apparel company in the world with annual sales of $2.4 billion in over 120 countries. In addition to its eponymous footwear and clothing brand, the New Balance family also includes the brands *Avaron*, *Cobb Hill*, *Dunham*, *PF-Flyers*, *Brine*, and *Warrior.*

Throughout its history, New Balance has focused on footwear innovation, resulting in a number of industry firsts: the first athletic shoe available in multiple widths; the first running shoe made exclusively for women; and the first shoe to incorporate flared heels for stability. More recently, the company has focused on custom shoes and its "Made in America" businesses. For US$115, a consumer can order a custom pair of shoes that is made in the United States, choosing any combination of twenty-six leather colours and five fabric colours for nine different shoe parts. And the company is taking customization much further than just the shoe's appearance: it is

[1] See Platzer, *op. cit.*

[2] *Ibid.*

[3] Information concerning the company's history and statistics was obtained from New Balance's Web sites and *Responsible Leadership Report*: http://www.newbalance.com/Overview/about_overview,default,pg.html (accessed October 17, 2013).

introducing a track-specific running shoe that uses 3-D printing to create a plate on the sole of the shoe that is supposed to enhance performance with every step. These custom shoes can be delivered in as little as four days and are a growing part of the firm's sales.

Over the years, this focus on innovation has consolidated New Balance's reputation: in 1976, the New Balance 320 was voted the best running shoe by *Runner's World*, and the 990 "Made in the USA" series, produced in the company's five U.S. factories, has been increasingly popular among U.S. consumers ever since it was launched in 1982. In 2008, New Balance inaugurated a state-of-the-art research lab next to its Lawrence, MA, factory that is exclusively dedicated to research into athletic footwear.

Unlike most of its competitors, New Balance does not outsource all of its footwear production to foreign contractors. Rather, it uses a hybrid system of insourcing and outsourcing. In New England, for example, New Balance owns five manufacturing plants that primarily produce for local markets: 90% of their output is for American consumers, accounting for about a quarter of the company's total U.S. sales.[1] While New Balance is currently the sole U.S. athletic footwear manufacturer to produce a portion of its shoes in the United States, it also relies heavily on foreign contractors in China, Indonesia, and Vietnam.[2]

New Balance has a number of U.S. suppliers for parts it does not manufacture itself, such as embroidery thread or the leather used in certain shoes (see Exhibit 7 for the various shoe parts). These suppliers, for which New Balance is a major client, employ an estimated 7,000 people in the U.S.[3] Moreover, its factories in small U.S. cities are vital to local economies: for instance, in Skowhegan, Maine, a town of 8,500, it is the largest employer in the region and its presence supports a wide range of small businesses, such as restaurants. The fate of whole towns and communities is tied to the manufacturing presence of New Balance in their region.[4]

During the consultation meetings with Froman, New Balance reps expressed fierce opposition to tariff reductions on Vietnamese imports. According to their spokesperson, Matt LeBretton, it is already 25% to 35% more expensive to produce in the United States than in Vietnam. A tariff reduction is not necessary to make manufacturing activities viable in Vietnam and would only chip away at the tariff buffer that allows New Balance to produce in America.[5] This, in turn, would force New Balance to close its U.S. factories and move all of its production facilities overseas. Thousands of jobs would be lost, in addition to hurting the company's U.S. contractors and the small communities in which the company has manufacturing operations.

[1] See Aeppel, *op. cit.*

[2] See Martin, *op. cit.*

[3] New Balance Athletic Shoe, Inc., "Made in the USA," n.d. (accessed October 17, 2013).

[4] See Martin, *op. cit.*

[5] See Aeppel, *op. cit.*

Nike Inc.

Nike Inc. is a public company headquartered in Beaverton, Oregon, and the largest athletic footwear and athletic apparel company in the world in terms of sales,[1] with over $24 billion in revenues for a total gross profit of over US$10 billion in 2012.[2] Its high profit margins (43.4% in 2012) have been reflected in the price of its shares, whose value increased an average of 17% annually between 2003 and 2013.[3] Nike Inc. offers a wide variety of products in seven key categories: running, basketball, soccer, men's training, women's training, action sports, and Nike Sportswear.[4] In addition to the Nike brand, it also owns a few other highly popular apparel and sporting equipment brands such as Hurley, Converse, and Bauer Nike Hockey. Nike Inc. directly employs 37,715 people worldwide, but indirectly employs a much larger workforce in factories owned by contractors who may manufacture products for numerous companies including Nike Inc.[5]

Nike Inc. was founded in 1964 as Blue Ribbon Sports by two partners, Phil Knight and Bill Bowerman. They started as distributors of Japanese-made *Tiger* (now *Asics*) running shoes, but as the relationship between the firm and its Japanese supplier began to sour in the early 1970s, Knight and Bowerman decided it was time to start manufacturing their own shoes. The new line of Nike shoes debuted in 1972 for the U.S. Track & Field Trials, where Bowerman's innovative design – a very light outsole with waffle-type nubs for traction – was a great success. Then, in 1979, Nike Inc. innovated once more by introducing its Nike Air technology in running shoes, paving the way for its IPO a year later. The firm quickly grew to become the industry leader; however, unlike New Balance, Nike Inc. didn't position itself in the booming fitness sector and thus lost ground to its competitors.

These difficulties were overcome by major marketing campaigns in the mid-eighties – first in 1985, when Michael Jordan, a young NBA rookie at the time, endorsed the company, and then in 1987, when the iconic Air Max commercial featuring the Beatles song *Revolution* was aired. By the end of the eighties, Nike Inc. had regained its title of largest footwear company in the world. Marketing then became a large part of Nike Inc.'s business strategy: in 1995, the firm sponsored the Brazil National Soccer Team and supplied its uniforms. One year later, a young golfer named Tiger Woods was signed for a reported annual compensation of $5 million. The company continued to expand, innovate, and skilfully market its products throughout the next decade. In 2012, it became the official sponsor of the National Football League (NFL).[6]

None of Nike Inc.'s 37,715 employees, roughly half of whom work in the United States,[7] are factory workers. Rather, they are mostly involved in providing headquarter services, designing and engineering new equipment, promoting products, and selling them in Nike stores. As with

[1] Barbara Brenner, Bodo B. Schlegelmilch, and Björn Ambos, "Inside the NIKE matrix," in *The New Role of Regional Management*, Björn Ambos and Bodo B. Schlegelmilch (Ed.), Hampshire, Palgrave Macmillan, 2010.

[2] Yahoo! Finance, "Nike, Inc. (NKE)," 2013 (accessed October 17, 2013).

[3] Google Finance, "Nike Inc (NYSE:NKE)," 2013 (accessed October 17, 2013).

[4] NYSE Euronext, "Nike Inc.," 2013 (accessed October 17, 2013).

[5] Nike Inc., *Corporate Responsibility Report*, 2012 (accessed October 17, 2013).

[6] Nike Inc., "History & Heritage," n.d. (accessed October 17, 2013).

[7] Nike Inc., *Corporate Responsibility Report*, 2009 (accessed October 17, 2013).

most U.S. footwear companies (with the notable exception of New Balance), shoe manufacturing has been almost completely outsourced to foreign contractors in Mexico, Brazil, Argentina, Italy, Bosnia, India, China, South Korea, Japan, Indonesia, Taiwan, and Vietnam.[1] In August 2013, it was estimated that Nike's external contractors employed more than a million people in 774 factories in 42 countries. Vietnam supplies the most workers to Nike, with over 310,000 people producing footwear, apparel, and sporting equipment, followed by China and Indonesia, where contractors employ about 260,000 and 175,000 people respectively. Three quarters of Nike's global workforce is located in these three countries (see Exhibit 8).

Contrary to New Balance, Nike Inc. was a strong supporter of reducing import tariffs, predicting that U.S. footwear manufacturers would be able to save on production costs and reinvest their savings in modern, high-value-added jobs in the United States. As Erin Dobson, a Nike Inc. spokesperson said, "The question comes down to, is one kind of job more important than another? What are the jobs for the 21st century? They're not necessarily jobs that existed 30 years ago."[2]

Nike Inc. also argued that being able to offshore footwear production without being penalized by tariffs would help to offset rising foreign labour and material costs, which would in turn make footwear more affordable to U.S. consumers. As argued by Oregon's Representative Earl Blumenauer, whose constituency is home to Nike employees as well as the U.S. headquarters of Adidas, keeping the tariffs taxes millions of Americans on their footwear purchases to keep a few thousand manufacturing jobs.[3] This argument is especially compelling when one considers that 99% of the footwear purchased in the U.S. is produced in other countries.

Eliminating Footwear Tariffs – A Blessing or a Curse?

Through his numerous meetings with lobbyists, industry spokespeople, and activists, Froman was able to map the major arguments for and against the elimination of footwear import tariffs under the TPP. While his determination to level the playing field so that Americans could compete in the global economy never faltered, it became obvious to him that no decision would have a purely positive impact on every stakeholder. Numerous realities and potential impacts had to be considered since adopting the wrong position could have ripple effects throughout the U.S. economy.

As the daylight faded, Froman was still pondering the various statistics and viewpoints. Should he side with New Balance and insist that footwear tariff reductions be kept off the negotiating table? Or would the elimination of tariffs as advocated by Nike Inc. be more beneficial to U.S. interests? Should the United States impose conditions on Vietnam for reducing footwear tariffs? His phone rang, and the numbers were still dancing in his head as he heard the beep indicating that he had joined the conference call.

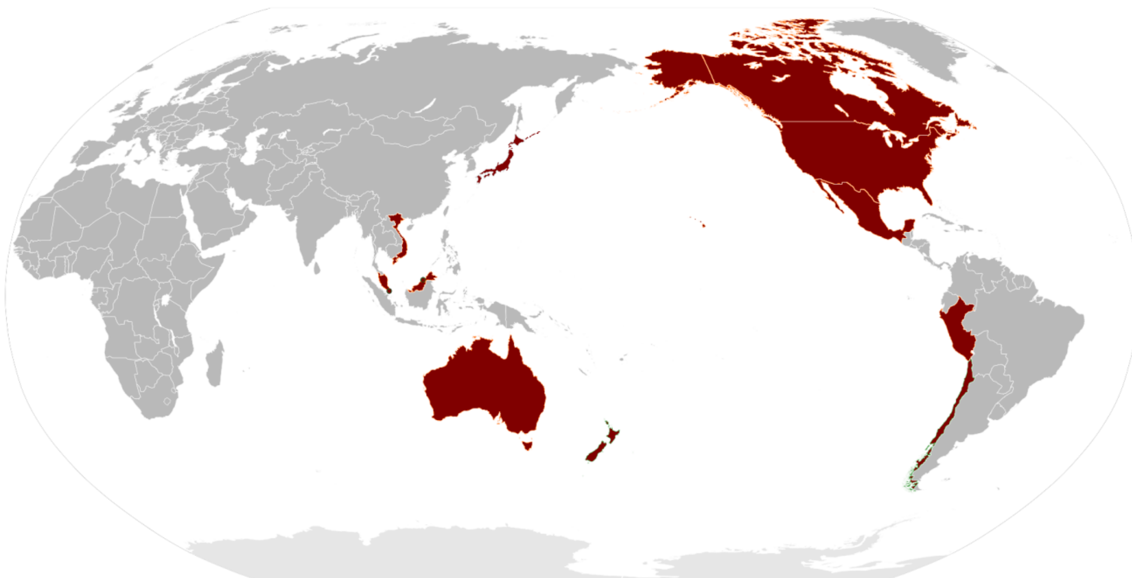
2014-11-14

1 Nike Inc., "Global Manufacturing," 2013 (accessed October 17, 2013).

2 See Martin, *op. cit.*

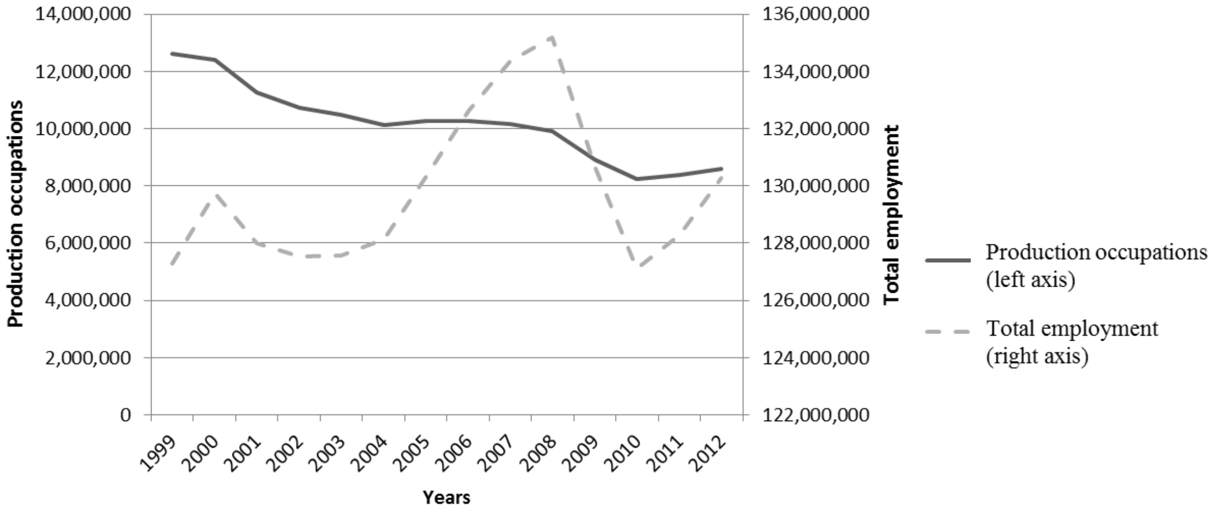
3 *Ibid.*

Exhibit 1
The 12 Negotiating Parties to the Transpacific Partnership



Source: Office of the United States Trade Representative, "The United States in the Trans-Pacific Partnership," 2011 (accessed October 17, 2013)

Exhibit 2
Production Occupations and Total Employment in the U.S., 1999-2012



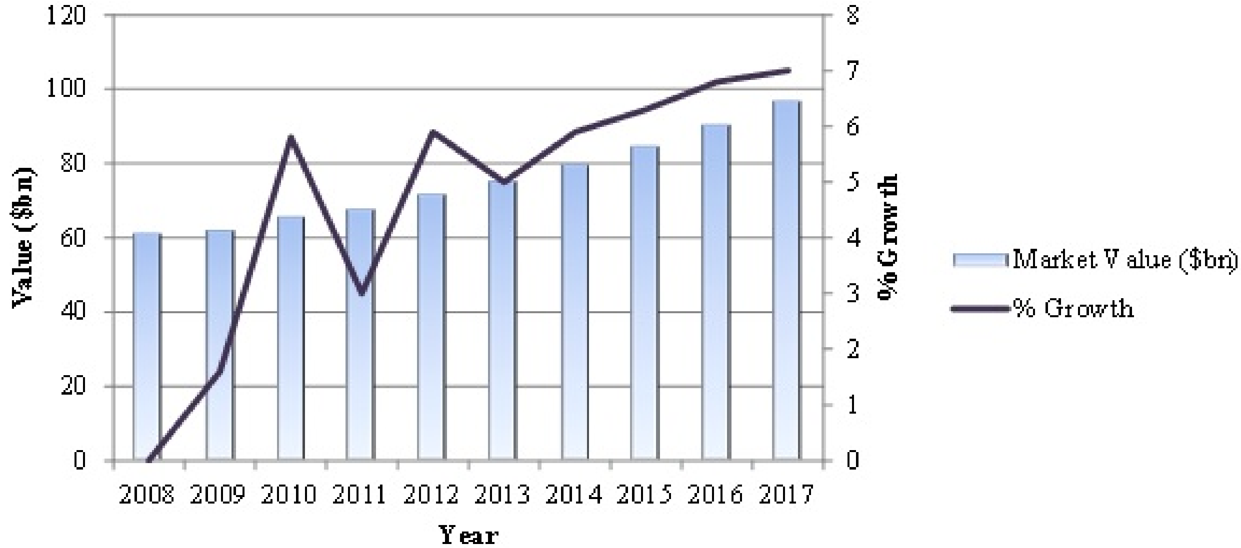
Source: Bureau of Labor Statistics, "Occupational Employment Statistics," 2013 (accessed October 17, 2013)

Exhibit 3
U.S. Occupations in the Footwear Industry, 2003-2012

Year	Total		Production occupations		Office and administrative support occupations		Management occupations	
	# workers	Average hourly wage	# workers	Average hourly wage	# workers	Average hourly wage	# workers	Average hourly wage
2003	19,440	12.26	14,040	10.48	1,900	12.25	620	43.72
2004	19,170	13.14	12,120	10.35	2,410	12.79	810	42.77
2005	18,410	13.24	12,170	10.81	2,350	13.00	620	43.38
2006	17,340	13.77	12,300	11.31	1,930	13.51	600	44.66
2007	15,760	13.87	12,150	11.75	1,170	13.42	470	44.14
2008	16,290	14.40	12,650	12.21	1,100	14.47	490	46.56
2009	15,420	14.43	12,030	12.32	980	15.06	440	48.14
2010	13,790	15.89	9,770	12.56	1,170	15.73	470	54.62
2011	13,650	16.25	9,600	12.76	1,260	15.81	470	56.50
2012	13,290	17.61	8,340	12.70	1,420	15.87	590	56.23

Source: Bureau of Labor Statistics, "Occupational Employment Statistics," 2013 (accessed October 17, 2013)

Exhibit 4
U.S. Footwear Market Value and Growth, 2008



Source: Marketline, *U.S. Footwear in the United States,* March 2013

Exhibit 5
Growth of U.S. Footwear Imports, by Country of Origin, 1997-2012

	U.S. Footwear imports (US$ Millions)		U.S. Footwear imports Compound Annual Growth (%)	Share of U.S. footwear imports (%)	
Country	**1997**	**2012**	**1997-2012**	**1997**	**2012**
China	7,737	17,876	5.74	53.03	71.90
Vietnam	102	2,512	23.83	0.70	10.11
Italy	1,244	1,230	-0.07	8.53	4.95
Indonesia	1,139	982	-0.99	7.81	3.95
Mexico	393	497	1.57	2.69	2.00
Rest of the world	3,560	1,233	3.62	27.24	7.09

Source: United Nations Comtrade Database: http://comtrade.un.org/

Exhibit 6
Import Duty on a Pair of Athletic Shoes That Do Not Cover the Ankles with Outer Soles of Rubber, Plastics, Leather or Composition Leather, and Have a F.O.B. Value of More Than $6.50

		Tariff Rate		
Textile Upper	**Harmonized System Code**	**Most Favoured Nation**	**NAFTA**	**KORUS FTA**
F.O.B. value < $12	6404.11.89	20% + 90 cents per pair	0%	0%
F.O.B. value > $12	6404.11.90	20%	0%	20%
Leather upper	6403.99.90	10%	0%	0%

Source: United States International Trade Commission, "Harmonized Tariff Schedule of the United States," 2013 (accessed October 17, 2013)

Exhibit 7
A New Balance Shoe Made in the United States

Source: Timothy Aeppel, "New Balance Sweats Push to End U.S. Shoe Tariffs," *Wall Street Journal*, February 27, 2013 (accessed October 17, 2013)

Exhibit 8
Nike Inc.'s Manufacturing Network
(data as of August 2013)

	Global production		Footwear production		
Country	**Workers**	**Number of factories**	**Workers**	**Number of factories**	**Workers (Nike brand)**
Vietnam	312,828	70	231,420	29	193,169
China	263,108	213	129,920	38	119,654
Indonesia	174,259	42	131,958	20	117,452
United States	13,670	65	77	2	0
Total (including other countries	1,005,547	774	528,509	163	459,307

Source: Nike Inc., "Global Manufacturing," 2013 (accessed October 17, 2013)

☞ These statistics do not indicate the number of workers that are employed by Nike Inc., but rather the number of workers that are involved in the production of Nike Inc. products.