Briefing

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Improving global value chains key for EU trade

SUMMARY

Global value chains, and the related trade in intermediate goods and services, dominate today's interconnected economy. Tragic events, such as the collapse of the Rana Plaza garment factory in 2013, have shed new light on the operation of these chains. Pressure is mounting on the various stakeholders involved at both national and international levels to prevent and mitigate the risks of the adverse effects linked to their functioning. Although a number of promising initiatives have been launched and some improvements have been made, much remains to be done.

Promotion of sustainability and responsible management of global value chains figure prominently on the agendas of organisations such as the United Nations (UN), the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO). The EU also plays a part. One of the main objectives of the EU is to integrate sustainability, with its various economic, social and environmental dimensions, into all relevant internal policies and external action.

Against this backdrop and building on its ongoing initiatives, existing policy frameworks and instruments, the EU is and has been encouraging efforts to promote sustainable value chains. How best to address this challenge is key to the EU's new trade and investment strategy 'Trade for all'. The new European Commission initiatives currently under development, such as the EU Garment Initiative and the EU Action Plan on Responsible Business Conduct, and the Council conclusions of May 2016 on Responsible Global Value Chains are in line with this endeavour.

In this briefing:

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Overview of global value chains

Globalisation and particularly the fall of transport costs, trade policy reforms and the explosion in the use of information and communication technologies have led to the emergence of global value chains (GVCs), as the above-mentioned factors have enabled enterprises to outsource certain production stages to firms in other countries.[1] GVCs cut across a wide range of sectors, including industry (e.g. textile and garment, motor vehicles), agriculture and services (e.g. call centres), and are operated by numerous and diverse actors and institutions. They also differ in terms of their governance or incentives. Whether an actor participates in GVCs depends on the type and structure of the value chain. Participation, although it leads to a high level of specialisation, is likely to enhance interdependence.

The expansion of GVCs has slowed down in recent years, which has been seen as one reason for the decline in trade that has taken place since the 2008 financial crisis. Possible explanations for the loss in momentum are that China now concentrates production within its own national borders; and because there has been consolidation and grouping of intra-regional chains. The various economic sectors are affected in different ways; however, the international fragmentation process is expected to continue.

GVC – participation and development

The impact of GVCs on developing countries is much debated. For instance, these countries may enjoy new opportunities through production sharing, despite not having the capabilities to produce a particular good in its entirety. Integration can often exert a strong appeal for foreign direct investment (FDI) and can lead to knowledge transfer to the local economy. Governments of developing countries try to reach higher stages in the production chain to yield maximum value from their participation, thus they are incited to implement domestic reforms. However, according to critics, GVCs may, for instance: draw primary and raw materials exporters into 'resource traps' and make it difficult for new entrants to move up within the production chains. Moreover, critics are generally sceptical about FDI, advocating active domestic industrial policy. Analysts have also pointed out that the majority of production networks are structured around three regional hubs: North America, Europe and East Asia. Therefore, the participation of remote developing countries, for instance from Africa and Latin America, remains limited. Trade policy, particularly preferential trade agreements (PTAs), has a significant influence on GVCs. While PTAs through cost and regulatory incentives may facilitate sourcing among members, strict rules of origin (RoO) can discourage the inclusion of cheaper inputs from non-member countries into the chains (for example, the double transformation rule for textiles and garments, see box).

EU preferential rules of origin for textiles and garments

Fibre processing; spinning fibres into yarn; weaving yarn into fabrics; sewing and cutting fabrics into garments – these are the main processes in the textile industry. In most free trade agreements, to comply with EU rules of origin (RoO), double transformation is required, e.g. fabric producers have to spin fibres into yarn and weave yarn into fabrics. In some cases, Economic Partnership Agreements (EPAs) and the Generalised Scheme of Preferences (GSP) rules provide for single transformation, meaning that producers in African, Caribbean and Pacific (ACP) or in GSP beneficiary countries may buy yarn from abroad and still obtain originating status. For the least developed countries (LDCs) the new GSP rules propose even less restrictive RoO. However, in EPAs (e.g. EU-Cariforum) double transformation seems to remain a frequent requirement in both the textile and garment industries.

The policy implications of global value chains

The 2016 study Trade governance frameworks in a world of global value chains jointly published by the International Centre for Trade and Sustainable Development (ICTSD) and the World Economic Forum, mentions two major policy implications brought about by GVCs. First, domestic policy reforms have a significant impact on how countries integrate and upgrade in GVCs. Factors such as better connectivity and improved FDI absorptive capacities are crucial. In this context, more effective public-private cooperation and initiatives, such as Aid for Trade could play an important role. Second, countries might be faced with international spill-overs. There are risks, for example, of abuse of power by leading firms. To manage these challenges, international cooperation is needed.

The general position is that the current rules in many trade agreements may not regulate these fragmented chains adequately; another weakness, among others, of the current international system is the lack of a coherent set of multilateral disciplines dealing with investment. At the same time, significant plurilateral initiatives, such as the Trade in Services Agreement (TiSA), and mega-regional trade agreements, such as the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP), may have an impact on how GVCs evolve.

Traditional trade statistics do not always reflect flows of goods and services within the global production chains. The joint OECD–World Trade Organization (WTO) Trade in Value-Added (TiVA) initiative allows a better understanding by considering the value-added generated by each country in the production of goods and services marketed internationally. For instance, the EU trade deficit with China would be less significant than shown by traditional trade statistics if trade balances were estimated in value added, thus accounting for the importance of intermediates used in trade.[2] A 2013 study on GVCs by the European Central Bank explains that the industrial restructuration induced by GVCs both within Europe and between Europe and the rest of the world allowed European companies to specialise and to deepen their integration within European value chains. As competitive pressure between economies trading within GVCs is increasing, EU firms should improve in terms of competitiveness. Another study notes that the cost of protectionism can be higher in the context of GVCs, for instance because of the cost of cumulative tariffs and non-tariff measures that producers participating in the chain would face. At the same time, there could be uneven distributional consequences of fragmentation of production, and these distributional consequences call for policies aiming at facilitating reallocation of resources across sectors and within the value chain.

Potential ways to improve GVC-related trade governance

The above-mentioned 2016 ICTSD-World Economic Forum study details two sets of recommendations: the first focusing on developing more informed and thus more effective domestic policies on GVCs; the second focusing on the agenda for future trade negotiations in the context of supply chains.[3] The first set of policy options is envisageable for the short to medium term and does not require institutional changes in WTO or other trade agreements. The second set outlines medium to long-term options for future trade negotiations. However, others point out that the inclusion of the GVC approach in WTO negotiations is controversial.

EU frameworks and tools promoting sustainable value chains

The various instruments and initiatives of policy areas such as trade and investment, private sector support and development cooperation, contribute to the sustainability and responsible management of global value chains.

'Trade for all' strategy

With respect to global value chains, the new 'Trade for all' strategy, adopted in October 2015, pursues at least three main objectives for EU policies:

- *a trade and investment objective*: to secure EU firms' place in the global value chain by means of a trade policy aiming at securing access to raw materials, action to counter regulatory fragmentation, support for professional mobility, etc.;
- *a governance objective*: the main focus of EU action is to prevent global fragmentation of production from allowing firms to disregard sustainable development concept and values; in this respect EU policy should aim at reinforcing corporate social responsibility initiatives and due diligence across the production chain with a focus on upholding human rights, and their social – including labour rights – and environmental aspects;
- *a development objective*: some EU actions (Aid for Trade, application of less restrictive rules of origin) help developing countries to integrate with or to move up in the existing GVCs.

Trade-related tools

These instruments include the EU's own legal acts, such as regulations and directives, for instance on non-financial reporting, on illegal logging and on sustainable biofuels (moreover, a legislative procedure concerning conflict minerals[4] is ongoing). The different trade regimes and agreements also act as effective policy instruments. At global level, the EU contributes to the work of the WTO Committee on Trade and Environment, and it works closely with the International Labour Organization. At bilateral level, the EU aims for its trade agreements, with both industrialised and developing countries, to include a chapter on sustainable development.[5] At unilateral level, the GSP+ scheme supports sustainable development and good governance in developing countries. Other unilateral initiatives include the Bangladesh Sustainability Compact, launched in July 2013 to improve labour rights and occupational safety and health in the ready-made garment sector, in response to the Rana Plaza tragedy. Sustainable development-related provisions often refer to international principles and guidelines established by organisations such as the UN, OECD and ILO.

Aid for Trade

Aid for Trade (part of official development aid, ODA) is assistance provided to support partner countries' efforts to develop and expand their trade as leverage for growth and poverty reduction. The EU and its Member States are collectively the world's leading provider of Aid for Trade. In 2013, their contribution totalled €11.7 billion. A review of the Aid for Trade strategy is due to be undertaken in 2016, also in the light of the implementation of the UN 2030 Agenda for Sustainable Development.

Corporate social responsibility

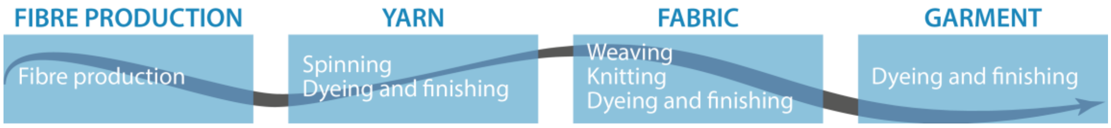
The EU's 2011 corporate social responsibility strategy is built upon internationally recognised guidelines and principles, such as the UN Guiding principles on business and human rights, the ILO Tripartite declaration of principles concerning multinational enterprises and social policy; the OECD Guidelines for multinational enterprises; and the UN Global Compact. In 2014, in the Commission communication on strengthening the role of the private sector in development cooperation, the EU underlined the importance of responsible business practices. The European Commission is currently working on an EU Action Plan on Responsible Business Conduct.[6]

The Council conclusions on The EU and responsible global value chains of 12 May 2016 recognised that synergies must be sought between trade instruments, development cooperation and environmental policy to maximise the development impact. To promote the responsible management of GVCs, making them sustainable and inclusive, engagement with the private sector is encouraged. The conclusions express support for multi-stakeholder approaches in the EU and partner countries at all levels.

Global value chains in the textile and garment industry

GVCs play a prominent role in this industry, with an estimated 60-75 million people working worldwide in the textile supply chain.[7] Most of the stocks of global garment retail chains are produced in low-wage countries, such as Bangladesh, Pakistan, Cambodia and Vietnam, where manufacturing is cheap. The outsourcing of production is often linked to serious shortcomings in working conditions, to human rights abuses and child labour, and to negative environmental impacts. Although NGOs had already highlighted these problems throughout the garment sector, it was not until the collapse in 2013 of the Rana Plaza garment factory in Bangladesh (the European market's second most important supplier), which killed over 1 000 people and injured more than 2 000, that efforts to improve the situation found new momentum. Initiatives have been launched worldwide in an attempt to introduce responsible management and enhance sustainability in the garment and textile global value chains. Moreover, it is not only Asian countries that are concerned; a 2014 report of the Clean Clothes Campaign[8] notes that in some Eastern European countries, such as Ukraine, and in Turkey the garment sector is also characterised by poverty wages and poor working conditions.

Figure 1 – Value chain in the textile and garment industry



Data source: Framework for Economic Development in EU External Relations, 2012.

Examples of initiatives launched by the EU and by public, private and civil society actors

EU initiatives

The EU has already taken steps to improve sustainability and responsible management in the GVCs. In May 2015, the EU joined a Labour Rights Initiative launched by the Government of Myanmar, the United States, Japan, Denmark and the International Labour Organization. Sector-specific initiatives include the Bangladesh Sustainability Compact. Switch Asia, launched in 2007 by the European Commission and operating in 18 Asian developing countries, is a regional sustainable production and consumption programme. In the framework of the Switch Asia programme, the Smart Myanmar project promotes and supports sustainable garment production.

On the occasion of the European Year for Development in 2015, the European Commission explored the idea of launching an EU initiative on responsible management of supply chains in the garment industry (the EU Garment Initiative). Several informal consultation meetings have been held since the end of 2014, and the Commission has evaluated the 55 written replies to the questionnaire sent out. Some stakeholders, such as the Clean Clothes Campaign (CCC), requested legislative initiatives addressing the need for transparency and traceability, mandatory due diligence and effective remediation, among others. CCC notes that legal enforcement is needed as 'voluntary initiatives driven by buyers and companies have failed to fight the systemic abuses of human rights in this industry'.

On 23 May 2016, at the joint meeting of the European Parliament's International Trade (INTA) and Development (DEVE) Committees, the European Commission's representative said that the study on the mapping of existing initiatives in the garment sector should be available in June. One area of potential future action is women's entrepreneurship and gender equality in GVCs, but the Commission does not currently consider mandatory due diligence in the garment sector to be an option.

The European Parliament has been following these initiatives closely. In its resolutions it has raised attention to accidents that have occurred in garment factories in Bangladesh and Pakistan, as well as to the violent repression of textile workers' protests in Cambodia. The Parliament has also called for the inclusion of provisions on CSR in international trade agreements. Most recently, in April 2015 a resolution on the second anniversary of the Rana Plaza building collapse and the state of play of the Bangladesh Sustainability Compact was adopted, calling for mandatory human rights due diligence.

National initiatives

Some Member States have already initiated national action plans and partnerships for the garment and textile industry. In October 2014, the **German government**, industry associations, retailers, trade unions and NGOs launched a multi-stakeholder alliance (Partnership for Sustainable Textiles) which aims to improve social, environmental and economic conditions in the textile and garment supply chain. In March 2014, **Denmark** presented the 'Danish National Action Plan – implementation of the UN Guiding principles on business and human rights'. The initiatives included focus on preventing and mitigating negative impacts on human rights by Danish companies when operating at home and abroad. In **France** in 2016 draft legislation was endorsed at second reading by the French National Assembly, inviting companies employing more than 5 000 people in France or more than 10 000 worldwide to prepare a due diligence plan for their whole supply chain. On 9 March 2016, a sector-wide covenant of industry organisations, trade unions, NGOs and the **Dutch government** presented an agreement on international responsible business conduct in the garment and textile sector. In 2016, 10 voluntary agreements setting norms for corporate social responsibility in various industries are expected in the Netherlands.

Gender equality

A 2013 report on gender equality in GVCs reveals that between 1980 and 2013, both globally and in the developing countries, the overall rate of employment of women increased significantly; but this in itself does not imply an actual increase in gender equality in GVCs. For instance, research cited in the report shows that firms functioning at the weakest points of a value chain hierarchy are likely to use a female workforce to compensate, for instance, for price fluctuations. In the developing countries an estimated three-quarters of garment workers are women. Their wages and working conditions in both the textile and garment industries are generally still low, although through these wages they contribute significantly to the household income and poverty reduction. Furthermore, low-wage and low-skilled tasks, coupled with low job security and scant social protection, leave these women particularly vulnerable to exploitation.

The Asian Living Wage Conference, which took place in May 2016 in Pakistan, focused on providing living wages through social dialogue in the textile industry of nine Asian countries. Another conference is planned by Germany and the Netherlands, in collaboration with Bangladesh, about responsible sourcing and financing.

International organisations' initiatives

In June 2011, the UN Human Rights Council endorsed Guiding principles on business and human rights. Together with the OECD Guidelines for multinational enterprises (2011), these put the onus on companies to map the risks of negative impacts in their supply chains and to prevent and mitigate them. The OECD is currently working on a due diligence guidance proposal on responsible supply chains in the garment and footwear industry. The ILO launched the Better Work programme with a view to improving labour norms and competitiveness in global supply chains. Decent work in global supply chains will be a key point on the agenda of the 2016 ILO conference. A report on this subject has been submitted to the conference for discussion, including recommendations for greater efforts to promote decent work in global supply chains. In April 2016, the ILO published a report comprising a comparative analysis of good practices by multinational enterprises in promoting decent work in global supply chains, to provide input for the conference. Buyers Forum Pakistan was set up by the International Finance Corporation (IFC), the ILO and the Netherlands government, in collaboration with the government of Pakistan to help global brands in the textile sector with supply chain sustainability.

The Higg Index

The Higg Index was launched in 2012 by the Sustainable Apparel Coalition, which represents more than a third of the world's apparel and footwear industries. It is a standardised assessment tool for all industry participants to measure their environmental, social and labour impacts throughout the value chain.

Private sector initiatives

In 2013, IndustriALL Global Union and UNI Global Union initiated an Accord on Fire and Building Safety in Bangladesh involving around 200 brands, with the aim of improving fire and building safety in the ready-made garment industry. The Indonesian Freedom of Association Protocol, signed in 2011 and involving six global sportswear brands, employers and local unions, helps people working for global brands in Indonesia to bargain collectively for improved working conditions. In 2014, the Swedish company H&M announced its commitment to invest in developing a skill certification programme for an estimated 5 000 garment workers in Bangladesh. H&M is also involved in a project on improving industrial relations in Cambodia's garment industry. It should be noted that in May 2016, a report was published by several NGOs claiming that the majority of H&M's supplier factories located in Bangladesh are still not safe.

Global value chains in the agri-food industry

The agri-food industry is shaped increasingly by global value chains, which are driven by food processors and retailers. The systems of these chains are characterised by significant economic value. Global food supply is organised by a relatively small number of companies, and vis-à-vis the producers, a shift of power can be observed in the globalised agri-food chains towards retailers. Agri-food standards, particularly private safety and quality standards, play an increasingly important role, generating an ongoing debate about their potential impacts on small-scale producers. Numerous developing and emerging countries are involved in these chains, which are relatively long and have a global reach.

As in the textile industry, GVCs in the agri-food industry are often linked to negative effects on environmental and social systems. One of the major problems is the issue of the emission of greenhouse gases (GHG). Studies indicate that land use changes, particularly through deforestation, contribute significantly to GHG emissions. In general, land use change and deforestation generated 24% of worldwide greenhouse gas emissions.[9] Between 2000 and 2008, agricultural expansion, driven by demand for internationally marketed products, led to an estimated 65% of the deforestation in the tropics and subtropics. Between 1990 and 2008, as a major importer of commodities such as soy, palm oil, beef, leather and cacao, the EU was responsible for 36% of all deforestation. The exploitation of forestry resources, increased use of agrochemicals, extension of monoculture plantations and other activities often go hand in hand with land conflicts, abuses of human and labour rights, and social tragedies, etc.

Crops from the agri-food sector characterised by global value chains include: palm oil, cocoa and shea nut.

Palm oil

Palm oil accounts for about 40% of global trade in all vegetable oils.[10] Besides being used as an ingredient in a wide range of products, such as cosmetics, food products and detergents, it is also used as biofuel. Global demand for palm oil is expected to reach between 120 and 156 million tonnes by 2050. Malaysia and Indonesia are the main producers, with an estimated 85-90% of global production. After India and followed by China, the European Union, with around 7 million tonnes per year, is the second largest global importer. The growing demand for this commodity puts pressure on land use and has significant and substantial effects on local communities, health and climate change. Until now, deforestation has mainly been a concern in south-east Asia, but it has increasingly become a problem in sub-Saharan Africa as well.

Examples of initiatives launched by the EU and by public, private and civil society actors

According to the EU Food Information Regulation (Regulation (EU) No 1169/2011) consumers must be informed about, for example, the quality, ingredients, and nutritional value of food products in order to make informed buying decisions. All individual oils must be identified in the list of ingredients on the label. Thus, consumers can decide whether they wish to purchase goods containing palm oil. In 2015 new rules came into force which amended the legislation on biofuels, specifically the Renewable Energy Directive and the Fuel Quality Directive, to reduce the risk of indirect land use change and to prepare the transition towards advanced biofuels. The amendment, for instance, limits the share of biofuels from crops grown on agricultural land to 7%.

At the conference on EU and global value chains organised by the Dutch Presidency in December 2015, Denmark, France, Germany, the Netherlands and the UK adopted the Amsterdam Declaration, stating that they will promote the objective of making palm oil supply chain 100% sustainable by 2020. In addition, they adopted a declaration on supporting the cessation of deforestation by no later than 2020.

In 2012, the Norwegian Government Pension Fund Global (GPFG), the world's largest sovereign wealth fund, divested from 23 palm oil companies which had not signed up to sustainable sourcing. In March 2016, the French National Assembly approved an additional tax on palm oil, but an exemption is granted to oils produced sustainably and to oils imported as biofuels.

The Roundtable on Sustainable Palm Oil (RSPO), founded in 2004, is an international multi-stakeholder initiative, with members including plantation companies, traders, NGOs and financial institutions. RSPO certification 'is a seal of approval that the palm oil was produced without undue harm to the environment or society and that the product is traceable through the supply chain'. While in 2012 the EU recognised the RSPO certification scheme for palm oil, 256 environmental, social and human rights organisations in an international declaration condemned the 'greenwashing' committed by the RSPO, stating that 'it is a tool for the expansion of the palm oil business'.

A few other deforestation-related initiatives

In 2003, the EU published the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, leading to two pieces of legislation. The FLEGT Regulation and Voluntary Partnership Agreements between the EU and timber producing countries target the supply side of the illegal timber trade, whereas the EU Timber Regulation (EUTR) regulates the demand side. EUTR requires that EU traders placing timber products on the EU market for the first time exercise due diligence. The first FLEGT licencing scheme to become fully operational will be with Indonesia. The EU has sought to encourage both private and public sector procurement policies that give preference to legally harvested timber and timber products. In the public sector, these policies are part of a broader effort to launch environmentally-sound public procurement (GPP) policies. The UN Climate Summit's New York Declaration on Forests is a non-legally binding political declaration stating the objective to halve deforestation by 2020. It also pledges to end forest loss by 2030 and restore more than 350 million hectares of forest and croplands.

Cocoa

Cocoa is used not only in the food and beverage industries, but also in the pharmaceutical and cosmetics industries. It is produced by 5-6 million farmers worldwide, and the livelihoods of 40-50 million people depend on it. According to the World Cocoa Foundation, 80% to 90% (2014) of cocoa is farmed by small, family-run farms, while Cocoa Barometer (2015) estimated that growers receive around 6% of the price that is paid by consumers. In the 1980s this ratio reached 16%. Cocoa Barometer also noted that there is an increasing concentration in the global cocoa supply chain, further weakening the position of the farmers. The negative impacts of cocoa production include the expansion of cocoa production borders to the detriment of rainforest, a decrease in biodiversity, the use of pesticides, human rights violations and corruption.

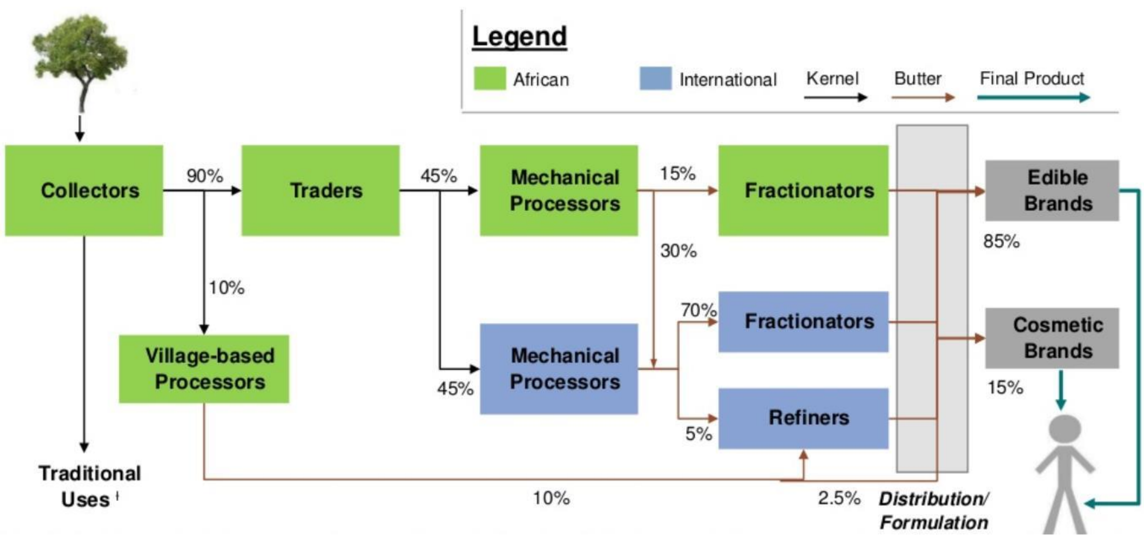
Examples of initiatives launched by public, private and civil society actors

In the Netherlands a multi-stakeholder forum was launched in 2010, working towards full sustainable cocoa consumption in the country by 2025. Launched in 2012, the German Initiative on Sustainable Cocoa (GISCO) is a multi-stakeholder initiative with members from the public sector, the civil society, the German cocoa, chocolate and confectionary industry, and the German retail grocery trade. Through this initiative, the aim is to improve the living conditions of cocoa farmers and to increase the share of sustainably produced cocoa. CocoaAction is voluntary industry-wide strategy launched by the World Cocoa Foundation (WCF) in 2014. Through this strategy, which brings together the world's largest chocolate and cocoa companies, key stakeholders and governments of producing countries, the participants wish to speed up cocoa sustainability efforts and improve the way of life of cocoa farmers.

Shea nut

Shea is not a plantation crop; the trees grow naturally across the African continent, from Senegal to Somalia. The harvested nuts are transformed in butter, with properties similar to those of cocoa butter. Like cocoa butter, it is used in the food, cosmetics and pharmaceutical industries. In recent years there has been an increase in global demand for shea butter. West Africa accounts for 99.8% of total exports of shea; according to the Global Shea Alliance (GSA), the region exported an estimated 360 000 tons of shea nut in 2011. One characteristic of the shea nut value chain is that the nut collectors are primarily rurally-based women. This activity provides an important source of revenue for these women who are often impoverished.

Figure 2 – Shea butter export value chain



Source: Global Shea Alliance.

Initiatives launched by private and civil society actors

The Global Shea Alliance is an industry alliance that brings together retailers, suppliers, NGOs and women's groups, among others. It promotes the sustainability of the industry, quality practices and standards, and the demand for shea. Building Inclusive Shea Economies is a joint programme of the Global Fairness Initiative and various associations to help female farmers in Northern Ghana become self-sustaining.

The Netherlands Presidency of the Council of the EU

Against this backdrop, one key theme of the Dutch EU Presidency, which has for the first half of 2016, is to improve coherence between trade and development policies, particularly through more responsible and sustainable supply chains. In December 2015, a conference on EU and global value chains was held in Amsterdam. On the occasion of the conference, five countries[11] adopted the two declarations mentioned above on eliminating deforestation and on a fully sustainable palm oil supply chain. The conference outcomes would be followed-up during the Dutch EU presidency. For example, during their meeting in February 2016, trade and development ministers discussed how the EU's trade and development policies can make global value chains (GVCs) more sustainable.

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Endnotes

[1] The 2013 OECD-WTO-UNCTAD study notes that 'Multinational Enterprise (MNE) coordinated GVCs account for 80% of global trade'. According to a 2015 OECD analysis, trade in finished products represents only one-quarter of total trade in goods and services.

[2] Calculations in value added terms would take into account the incorporation of EU value added (i.e. intermediates) in Chinese production and consumption.

[3] '"Supply chains" and "value chains" are similar terms that refer to the entire production chain, from processing raw materials to end-user products. Depending on the context, the term "supply chain" may be used to specifically refer to the process of all parties involved in the production and distribution of a commodity and the term "value chain" to the set of interrelated activities by which a company adds value to an article.' Source: The EU and Responsible Global Value Chains – Council conclusions, 12 May 2016.

[4] M. Latek, Les minéraux des conflits, European Parliament, EPRS Briefing, 2015.

[5] These provisions can be found in all newly-agreed bilateral trade agreements of the EU (e.g. with Vietnam, South Korea, Singapore).

[6] 'The EU uses CSR and RBC interchangeably. In 2011, the EU's CSR Strategy defined Corporate Social Responsibility as the "responsibility of enterprises toward their impacts on society" and stressed that "to fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders".' Source: The EU and Responsible Global Value Chains – Council conclusions, 12 May 2016.

[7] In 2015, the EU's top five suppliers of textiles were China, Turkey, India, Pakistan and USA; and the EU's top five suppliers of clothing were China, Bangladesh, Turkey, India and Cambodia. In 2014, the EU textile and clothing industry had a turnover of €165 billion and investments of approximately €4 billion. (Euratex). More than 70% of EU imports of textile and garments originate in Asia.

[8] CCC is an alliance of organisations from 16 European countries. Its members include trade unions and NGOs.

[9] Source: Paper on the 'Agricultural commodities' session, 'EU and Global Value Chains' conference, 7 December 2015, Amsterdam.

[10] Source: Paper on the '100% sustainable palm oil supply chain in Europe by 2020' session, 'EU and Global Value Chains' conference, 7 December 2015, Amsterdam.

[11] Denmark, France, Germany, Netherlands and the United Kingdom.

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